

THE ROUND TABLE

A QUARTERLY REVIEW OF THE
POLITICS OF THE BRITISH COMMONWEALTH

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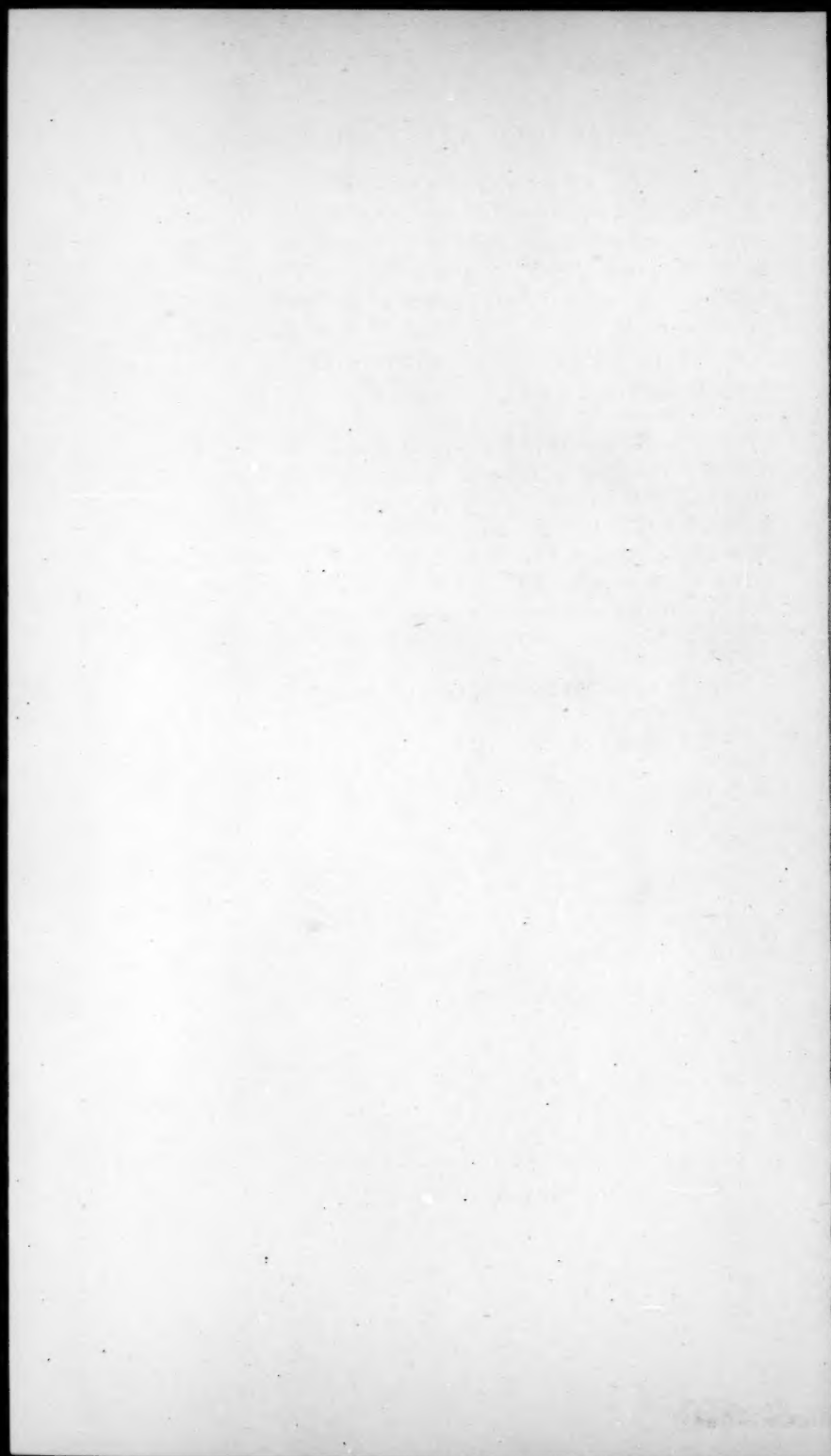
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THE HARVEST OF VICTORY

THE signature of peace with Germany at Versailles on June 28, 1919, imposes on all thinking people the duty of standing back from the canvas of the last five years and forming a judgment as to its real significance for the future. Everybody has been so preoccupied with the day-to-day work of the war or with the details of peace and reconstruction that it has been difficult to reach any well-proportioned conclusions about the new world which has been brought into being. It is the purpose of this article to make a brief survey of this momentous period with the object of arriving at the broad policy which the progressive nations in general, and the British Commonwealth in particular, should attempt to pursue in the future.

I. BEFORE THE STORM

IF we cast our eyes back to the beginning of 1914 we can now see clearly the elements of the cataclysm which immediately followed. In the heart of Europe lay a mass of some 120,000,000 people organised directly and indirectly under the Prussian military system with the principal purpose of forcing a way to a position of dominance in the world through the use of military power. To this group Turkey was attached by strong military and economic bonds. The idea that war for wrongful ends was simply murder on a vast scale, and that nations no less than

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individuals ought to guide their conduct according to principles of morality and justice, was openly repudiated throughout the length and breadth of the Central Empires. To the German people the world consisted of a great number of nations, some progressive, some backward, some strong, some weak, but all of them engaged in a mutual struggle for existence and power. The race was to the swift, and the victory to the cunning and the strong. No law could be discerned which could bring this disordered mass into some kind of harmonious government except that one nation should impose its will by force upon all the rest.

To the east of Germany lay the Russian Empire, an effete autocracy, formidable not through its efficiency, but merely through the numbers of people it controlled, and on the whole pacific, partly because of internal revolutionary troubles, and partly through fear of its more active and aggressive German neighbour.

On the other side were France, Great Britain and the United States. These three democracies were in varying degrees intensely preoccupied with their own affairs. France took an interest in European politics mainly because it saw in an alliance with Russia the only hope of saving itself from being overwhelmed by the military strength of Germany and its allies. Great Britain felt the menace of the growing German navy and realised dimly that its own freedom was bound up in some way or other with preventing Germany from establishing a military dictatorship over Europe. America was both wholly ignorant of and wholly uninterested in European affairs. It was absorbed in the development of its own country and the assimilation of a vast stream of immigrants. Its foreign policy was concentrated partly in the Washingtonian doctrine that it must avoid entangling alliances, and partly in the Monroe doctrine of "Hands off America, in return for which I will keep mine off Europe." If these three Western Powers were pacific and liberal, they had given

Before the Storm

even less thought to the practical problem of bringing unity and peace to the world than Germany had done. The rulers of Germany had a plan, though a wicked plan. The Western world as a whole had no plan, and public opinion was allowed to drift into aimless sentimental vapourings about the virtues of universal peace and the evils of preparedness for defence, thereby giving the militarists of Germany the encouragement and opportunity they required.

To the South, Italy was a somewhat uncomfortable member of the Triple Alliance. She was a member of that Alliance not so much from sympathy as from necessity. She had been left with a frontier which gave a road to her hereditary enemy into the heart of her industrial districts. It was impossible for her to break away without having first the certainty that she could join a combination which would secure her from being dealt with in isolation.

In the Far East Japan was pursuing a dubious policy of her own. After a wonderful assimilation of Western ideas, she had the alternative of becoming a leader of the Far Eastern peoples, rather as England had been a leader in political and economic development throughout the West in an earlier age. She had equally the opportunity of following the example of Germany and attempting to make herself master of these peoples by force and intrigue. There is little doubt that before the war she was largely influenced by a class whose aim was to establish a Japanese hegemony in the Far East on Germanic lines. But happily the alliance with Great Britain was maintained and the war found her ranged on the side of the Allies.

The Dominions of the British Commonwealth, Canada, Australia, South Africa and New Zealand, stood outside the ring of world politics. Sheltered behind the British Navy, they were almost entirely absorbed in the problem of developing the vast territories which they owned. Only in the years immediately preceding the war, owing to the persistent menace of German armaments and diplomacy and

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the uncertainty as to the future attitude of Japan, had they begun actively to prepare to defend the Commonwealth in the event of war.

The little nations of Europe, overshadowed by their mightier neighbours, influenced the general international problem directly but little, except in the Balkans, where frontier and race disputes, handed down from the days of Turkish misrule and fostered by the cynical diplomats of Central Europe, provided inflammatory material which might be used for bringing about a general conflagration.

Finally, there were the millions of relatively backward peoples in Asia and Africa. The control of the great majority of these was in the hands of the European Powers. Some of these Powers recognised their function as trustees. Some did not. As, however, the industrial development of the world grew apace, the demand for raw materials from the tropics and other territories inhabited by the backward races became ever greater, and the scramble for colonies, which seemed almost to have ceased with the partition of Africa, became once more an important factor in the general international polity.

The most conspicuous consequence of this welter of disunion and rivalry into which the world was divided was the universal race for armaments. There being no effective reign of law among the nations, every people was forced to rely upon its own strength for its security and its rights. Big States fortunately situated, like the British Empire and America, fancied they were able to stand alone. But all the other States when threatened from without were forced to enter into alliances with their neighbours in order to maintain together such a balance of power that their opponents could not reckon with certainty on being able to get their way by force. The centre of the international situation, therefore, before the war, was the European balance of power, in which France and Russia, with Britain an uncertain factor in the background, attempted to maintain a combination equal in strength to the aggressive

1914-1919

organisation of the Central Powers. The other nations of Europe, while maintaining some kind of local balance, also tended to lean upon one or other of the two principal groups. America stood outside the ring, practically unconscious of what was going on.

This was the confused situation in which the world stood when the murder of the Archduke Franz Ferdinand on June 28, 1914, gave the opportunity to the military autocrats in Central Europe to put their doctrines to the test. They did not believe that there was a true balance of power in Europe. They had long been convinced that by a sudden and carefully-planned attack the balance could be upset and their own hegemony established once and for all. They had now the excuse for provoking a conflict which, as they believed, would lead them straight to the domination of the world.

II. 1914-1919

IT is unnecessary for the purpose of this article to record in any detail the history of the war, but it is important to note the gradual development of public opinion during its course as to the issues which were at stake.

At the outset the war was regarded on the continent of Europe as a struggle for liberty against the manifest determination of the German autocracy to make its neighbours subservient to its will by force of arms. This was the predominant feeling among all the nations of Europe who were involved in the war against Germany.

In Great Britain and the British Empire, however, there was a somewhat different idea. Being separated from the continent of Europe by the sea, they were more remote from its troubles, and the danger to their own liberty from German aggression was neither so real nor so apparent. What took the British Empire wholeheartedly into the war was the violation of the neutrality of Belgium, and, still more,

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the orgy of frightfulness by which it was accompanied. These brutal acts offended the sense of justice of the British peoples, and from the outset their purpose was not merely the liberation of the attacked peoples, but the vindication of public right by the destruction of that Prussian militarism which had plotted the war for its own ends.

For the first two and a half years of the war controversy raged throughout the neutral world as to the merits of the issue. Propagandists from both sides flooded the newspapers and the bookstalls, to say nothing of the platform, with explanations and apologies. As the war progressed and the point of view of the Allies became known, the moral judgment of mankind began to set decidedly against Germany, especially in those territories which were beyond the reach of Germany's sword. Indeed, the only argument upon which Germany could really depend was that of military success, which reached its climax in the overthrow of the Russian army and the opening of the road to Turkey in the autumn and winter of 1915-16. But the judgment of the neutral world was not sufficiently decisive to lead it to take action for either side. Indeed, by the end of 1916 the war seemed—to those at least who did not take sufficient account of British sea-power—to have reached a stalemate. The attempt of the Germans to repeat in the West the success they had already achieved in the East was definitely broken by the French at Verdun. On the other hand, the attempt of the Allies to break in the Western front on the Somme was no less a failure. At that time there was apparently no military end to the war in sight.

Then the Germans took the decision in regard to the unlimited submarine campaign. The military arguments for the policy were overwhelming. The Germans believed that with their vast strength in submarines they could drive the merchant marine from off the sea. There seemed to be no other method of bringing the war to a successful issue. The submarine campaign, it is true, was

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a direct attack on neutral rights ; but if its promise was fulfilled, it would not matter what the neutrals did, because they would be unable to bring aid in practical form to the Western Allies. Hence in January the Germans announced their intention of cutting the communications of the Allies by sinking at sight every merchant ship, whether belligerent or neutral, which came within the war zone as defined by them.

The inauguration of the unrestricted submarine campaign was a definite challenge to the whole civilised world, already shocked by the "restricted" use of German submarines. It finally set up the Germanic doctrine that might was right and that military force was the real arbiter of human affairs. The Allies had long argued that neutrality in a war of this kind was a moral failure and that no self-respecting nation could remain neutral in a struggle which was obviously one between right and wrong. The German submarine campaign forced home this issue upon the neutral world by making it necessary for them to decide whether they were going to permit the Germans to destroy the lives and property of their citizens with impunity. By April 2nd the United States had made up its mind and entered the war on the side of the Allies.

America's entry into the war made a deep impression on the world. The fact that the United States, the one great independent neutral, potentially the most powerful nation in the world, had definitely thrown its weight into the scale against Germany, proved conclusively that the moral judgment of mankind had decided against the German claims. This fact was still more emphasised by the subsequent declaration of war on Germany by a number of minor nations in Central and South America, by China and one or two others.

But the entry of America had a further effect. It greatly strengthened the idealist conception of what the war was about. That conception is perhaps best expressed in President Wilson's well-known phrase that America entered

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the war in order "to make the world safe for democracy." The United States had always stood outside the main current of international affairs. It was, indeed, its national policy to do so. It did not understand the intricacies of the European problem, and for years it was confused by the propaganda of both sides as to the merits of each in the war. But if America was disinterested in international affairs it was of all nations the greatest champion of practical democracy. Individual rights might not be so safeguarded in America as in Great Britain, and the reign of law might be less perfect, but there was no American who did not subscribe unhesitatingly to the doctrine that the cure for all social and political ills lay in giving complete power to the people to work out practical reforms for themselves. America indeed had carried its belief in democracy to such a point that it had divided the government of its affairs between 48 State legislatures and one federal congress, and had given the vote to millions of immigrants from Europe, many of whom had had no experience of political responsibility before they set foot on American soil.

By the spring of 1917 America had come to see clearly that the war was not merely a war to restore national freedom to Europe or to overthrow the arrogant militarism of Prussia, but was a war to make certain that democracy should prevail over the length and breadth of the earth. This view rapidly affected all the Allies, and gave a revived enthusiasm to their war aims.

Almost at the same time that America entered the war there occurred another event which had a profound effect, not only on the military, but on the political future of the war. This was the Russian revolution of February-March, 1917. The military effect of the revolution was not fully apparent until the second or Bolshevik revolution of November, 1917, finally destroyed the Russian army and led to the Brest-Litovsk peace. This gave Germany, whose attempt to cut the communications of the Allies by the submarine campaign had failed, her last chance; for by

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liberating her Eastern armies it enabled her to concentrate all her resources on a desperate attempt to destroy the Allied armies in the West before the American forces could reach the Western front in strength. The Russian revolution, however, liberated a vast mass of political doctrine. This was summed up in the phrase which emerged from the Russian revolution that peace should be immediately established on the basis of "no annexations, no indemnities, and the self-determination of all peoples."

This formula greatly strengthened the idea which had already secured some measure of recognition that there could be no lasting peace which did not draw national frontiers in accordance with the wishes of the peoples and which did not make democracy the rule from one end of Europe to the other. But it also gave impetus to other doctrines which were not so salutary. The Russian revolution, which at the outset was in the hands of genuinely democratic leaders, was soon captured by a body of fanatics whose whole mind was concentrated on the class war. The Bolsheviks had no sympathy with democracy and other Western ideals. Their panacea for human ills was an inverted autocracy, with absolute power wielded by proletarian doctrinaires instead of by aristocratic reactionaries. To them the European war was naturally not a struggle between autocracy and democracy, for they did not believe in democracy, but a war engineered by capitalist Governments who had bamboozled their peoples to fight one another in order that they might not discover how they were exploited by their own rulers. Accordingly their international policy was immediate peace between nations on the basis of a general condonation of the past in order that the way might be open for a new war—the universal class war.

The example of the Russian revolution, and the general war weariness, gave these doctrines a considerable vogue throughout Europe in the autumn and winter of 1917-18. In fact the struggle at this time was transferred almost entirely to the political sphere. The project of a Stockholm

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Conference and the general extremist agitation of this period are illustrations of the attempt to induce the Western peoples to throw away the fruits of their heroism and sacrifice, and to compromise with the militarist autocracy whose complete overthrow was the only road to national freedom and lasting peace. The renewal, however, of the German offensive on March 21st, 1918, silenced political controversy, and it did not revive until the German offensive had been converted into a rout and the Armistice had been signed.

During the last year of the war, however, yet another idea had begun to make headway—the idea that somehow or other humanity must protect itself from a repetition of the disaster of 1914, and that there must be “no next time.” Most of the belligerent nations had come to feel by the end of 1917 that nothing could compensate for the appalling loss of life and the terrible sufferings which they had endured and had still to endure save that future generations should be freed for ever from the nightmare of another world war. This conviction rapidly crystallised into the proposal that all nations should combine to form a League of Nations for the peaceable adjustment of disputes and the prevention of war. This idea has appeared during every great war and notably towards the end of the Napoleonic campaigns. But it had never before found such universal expression, nor had it been crystallised into a definite project for the prevention of war. By the end of the war it was a prominent feature in the peace programme of almost every belligerent people.

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III. THE PEACE CONFERENCE

THE outstanding fact on November 11th, 1918, was that the Western democracies had shown a sufficient grasp of principle to withstand alike the terrific military blows of the Germanic combination and the subtler defeatist propaganda which came from Russia. They had stood firm for liberty and democracy through four terrible years of sacrifice and suffering; and at the end, in a few weeks of dramatic change, had achieved a victory which few had ever dreamed possible. Their enemies were prostrate and divided. One of them, Austria-Hungary, had entirely disappeared. They themselves were in a position to dictate practically what peace they chose.

The work of the Peace Conference is too fresh in people's minds to make it necessary to record in any detail the settlement which the victors have made. It is not the purpose of this article to examine the details of the peace, many of which are highly controversial, and in some cases objectionable. It is rather to bring out the leading ideas embodied in the settlement, which have been evolved quite as much by the experience of the war as by the deliberations of the Peace Conference. It may be valuable to do this because the broad achievements of the war and the peace are sometimes lost sight of owing to disagreement about secondary points.

The first idea to be found in the peace settlement is that it represents a judgment on one of the most colossal crimes in human history. This notion runs throughout the reply of the Allies addressed to the protest of the German delegation that the peace was a peace of violence and not a peace of justice. It is indeed the idea which distinguishes the peace of 1919 from all previous settlements, such as the Treaty of Vienna. The Conference clearly proceeded on the basis that representing, as it did, a

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majority of mankind it was called upon, not only to pass but to execute judgment on a nation and its rulers who had deliberately set out to subjugate their neighbours at the price of murder and destruction on a scale wholly unparalleled in history. The Conference evidently did not believe that lasting peace could be won by considering appeasement first. They decided that the real road to peace was that of justice. They demanded the surrender for trial of those who were most clearly responsible for the crime of the war itself and for the fouler atrocities committed during its course. They also decided that the German nation must make reparation to those whom they wronged to the utmost of their power, partly as an act of just restitution, partly as a deterrent to other peoples who may be tempted to follow their example. The Peace Conference has attempted, in so far as was practicable, to apply to national crime the same principles as are applied to individuals within every civilised State, and they evidently considered that the practical demonstration that crime meets with punishment was the best practical security for freedom which humanity can now contrive. This aspect of the settlement is perhaps the one which has provoked most controversy. In so far as this part of the article is essentially expository we do not propose to discuss the merits or demerits of this question now.

The second idea underlying the peace was that the basis of settlement must be the autonomy of all nationalities in Europe, together with security for the rights of racial minorities in every State. The war had brought to light two facts ; first, that there was no possibility of lasting peace in Europe so long as one race was able to dominate over another and to deny to it civil liberties and the free use of its language and religion ; and second, that the possibility of this domination was a menace to the rest of Europe, because it enabled a powerful and aggressive people like the Prussians to organise vast numbers of other races to fight for tyrannical ends to which they were them-

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selves profoundly opposed. Hence the peace brought into being three new independent States—Poland, Czechoslovakia, and Finland—while it extended the boundaries of two others—Roumania and Serbia—by including within them their brethren of the same race, formerly forcibly incorporated in other States.

The practical problem, however, was not so simple as its theory might indicate. Racial boundaries are nowhere exact in Europe. Every race gradually merges into its neighbours and islands of one race are often included in clear majorities of another. Further, geographical facts like mountain ranges or rivers, or economic facts like railways and coalfields, and sometimes even strategic facts, often introduce considerations which cannot be wholly ignored. Nevertheless the Conference seems to have accepted flesh and blood rather than geography, economics, or strategy as the governing basis of the Treaty. At the same time the Treaties give civil, linguistic, and religious rights to the racial minorities which are thus transferred from an old to a new sovereignty.

The provisions in regard to ports and railways are a necessary corollary to the settlement of Europe on lines of nationality. It would be a poor satisfaction to an inland community to be freed of alien rule if its neighbours were still in a position to deny to it fair transportation facilities and access to the sea. Accordingly the Conference internationalised most of the great European rivers which serve more than one community and imposed certain obligations upon international railways.

These two aspects of the peace settlement represent what might be described as the winding up of the war. There are, however, certain other important features of the peace which rather concern the future. These are all in one form or another designed to prevent war and are grouped about the League of Nations. There are the provisions in regard to the permanent limitation of the armaments of the Central Powers. These are the natural

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complement to the establishment of a League of Nations and are declared to be the first instalment in a programme of general limitation of armaments which the Allies intend to adopt themselves, and which, once the Germanic menace is removed, economic and financial pressure will certainly compel. There are the clauses which forbid the Central Powers to introduce discriminatory tariffs as between the various Allies, but to maintain a single uniform tariff against all nations. These, too, are an attempt to get rid of economic provocation to international discord and war, though they will be of small value and will not long survive unless the Allies give effect to the same principles in their own economic policy. Finally, there is the Covenant of the League of Nations itself. The League endeavours to substitute the co-operation of all nations in the adjustment of international disputes for alliances and the balance of power, as the principal security for liberty and peace. It does this partly by compelling publicity for all international engagements and by giving to every member the right to a voice in the formulation of the common policy of mankind. In addition, however, the League provides certain practical guarantees against war in the shape of the obligation which it imposes on members to protect one another's frontiers from external aggression and the resort to certain specified methods of adjusting disputes before having recourse to arms. The League further creates a permanent piece of machinery for ventilating alike international grievances and international ideals. Its meetings, indeed, will be the great forum within which the difficulties which thus arise can be authoritatively explained and settlements negotiated in an atmosphere of comparative detachment before a world jury. Finally, it will make possible the progressive revision of treaties and international agreements as circumstances require. The present Peace Treaty, indeed, is full of defects, and contains countless temporary make-shifts. The constitution of a League of Nations is a

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practical recognition that it is not possible to settle all human problems in a single document, and that the utmost that can be done is to make the best settlement practicable at the time and to provide the best machinery available for adjusting that settlement to changing needs.

There are two other aspects of the settlement which are of great interest, both also looking to the future. One concerns the future of the backward races ; the other the problems of labour and economics.

The Conference seems to have clearly realised the importance of the difficulty of the problems now coming to the front in connection with the treatment of the backward races. The problem arises from the fact that, while all human beings are able to maintain some kind of ordered society if left to themselves, a great proportion of the human race is unable to do so when subject to contact with modern civilisation. The telegraph and telephone, railways and motor cars, aeroplanes and modern implements of war, books and newspapers, modern industrial methods, capitalist organisation, socialist and nationalist propaganda, have all combined to break down the old barriers between barbarism and the modern world. Whether we wish it or not, civilisation is spreading at an enormous rate among the backward peoples, arousing their dormant passions and prejudices, implanting in them new hopes and new desires, and in every case utterly destroying their previous social organisation. Some peoples have managed to adapt their social and political systems to the new conditions, and have created, or are in progress of creating, a new and stable order on Western lines. But others, like Central Africa, have been utterly overwhelmed, and only the intervention of some civilised State has saved them from total destruction by anarchy and civil strife largely caused by drink, armaments, commercial exploitation or even military attack, all directed against them from outside.

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The treatment of these peoples is important from two points of view. It is important from the point of view of the peoples themselves. Unless they are protected, they will be exploited, enslaved, and demoralised, even more effectively by the subtler modern agencies which flourish in all uncivilised countries, and now even in Germany and Russia, than they were in the days of the slave trade. It is not less important from that of civilisation. It is useless to suppose that in our contracted world these stagnant pools of humanity can remain without infecting their neighbours. If they fall under the control of military autocracies they can be used as armies of aggression. If they are exploited by soulless commercial organisations, they can be sweated to undersell the products of countries which insist on high wages and reasonable hours. In any case, these peoples are the happy hunting ground for self-interested agitators and propagandists of all kinds, producing unrest, which has its effects not only on trade and industry, but the political peace of the world. The only cure for this aspect of the problem is education in all its branches and practical training in self-government and economic development until these peoples are able to take their stand on their own feet alongside the progressive peoples.

The Conference recognised the urgency of this question by insisting that peoples detached from the control of Germany and Turkey should not be transferred to the sovereignty of any other Power, but should be entrusted to selected mandatories, on terms which gave security for good government and progress, and secured to the League of Nations the right to watch over the manner in which the mandatory discharged its obligations. It is true that the mandatory system could only be applied to a comparatively small portion of the backward territories, and that it is to be exercised almost exclusively by peoples who to-day stand at the head of the progressive colonial Powers. None the less, it is the thin end of a wedge, if

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only the very end of the wedge. It is the recognition of a principle of trusteeship ; and if the civilised nations live up to it, its application will be developed and will gradually lead to the raising of the standard of administration and education among all peoples unable to govern themselves.

Finally come the labour and certain of the economic clauses. It seems to have been brought home to the Conference that the solution of economic problems is hardly less important to the future peace and progress of the world than the solution of political problems. Not only had the war brought to a head social and economic troubles which had broken out in the form of Bolshevism in Russia and other parts of Eastern Europe, but it was obvious that the questions connected with the supply of raw materials and with markets were bound to affect international relations even more in the future than they had done in the past. Before the industrial revolution nations were practically self-supporting. It was usually only luxury products which were imported from outside. The great staples such as food, clothing and building materials were mainly produced within each country's own borders. Nowadays, however, owing to the industrial revolution, the majority of the populations in some countries is concentrated in towns and the agricultural production is wholly inadequate for the national needs. Moreover, the age of iron and steel has led to a complete transformation of national needs. Railways are even more indispensable than roads. Bridges are of steel as much as of stone. The framework of houses is very largely now built of the same material. Motor transport, agricultural machinery, clothing materials of cotton and wool are now needed in large quantities by all communities and can only be produced in highly organised industrial centres. Finally, raw materials such as oil, rubber, fibres and tropical products enter ever more largely into the category of a nation's needs, and these can only be found on certain portions of the earth's surface. Even an article of universal

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requirement like coal is very unevenly distributed. All nations now require to import a large part of their national needs from beyond their own borders.

The Conference seems to have made no attempt to deal with the economic side of the world problem further than to continue an inter-Allied organisation to help to adjust economic needs and the world's supplies. The obstacles were doubtless too formidable and the more immediate pre-occupations too intense. It contented itself with imposing on the defeated countries the obligation to give equal treatment to all the Allies, but it made no similar arrangement among the Allies themselves. That is a question which is presumably reserved for the League of Nations.

On the labour side, however, it made a great advance. The labour world has long come to realise that one of the difficulties in the way of the raising of the standard of living in any progressive country was the liability to competition from quarters where labour was paid very low wages or was made to work very long hours. Protection was recognised to be some cure for it, but protection carries with it evils such as high prices, especially in foodstuffs, and the liability to trusts. Thinking people had come to see that the only real cure for the evil was the improvement of the conditions of work and labour of the working population in all countries. Not only was this desirable on humanitarian grounds, but, if it could be attained, it would eliminate a potent cause of international unrest. Accordingly, by the labour chapter of the Treaty, the States signatory to the League of Nations undertake to set up a permanent international Labour Conference representative partly of Governments, partly of employers, and partly of labour, to endeavour to improve and equalise conditions of labour in all countries in the world. To this Conference was given certain small but not unimportant powers to secure the execution of its decrees. Such an attempt has never been previously made in any Treaty of Peace, and is a proof of the novel and far-reaching character of the settlement of the great war.

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IV. PROBLEMS OF THE FUTURE

TAKING therefore a survey of the whole period from August, 1914, to August, 1919, certain great achievements stand out.

(a) The truth that might is not right and that law must govern the relations of nations if they are to prosper and enjoy liberty has been vindicated not merely by the defeat of Germany but by a peace which insists that a criminal nation should make restitution to those it has wronged.

(b) Some measure of unity has been given to the world through the establishment of the League of Nations as the alternative to the balance of power.

(c) Democracy has been recognised as the basis of the future political order in Europe.

(d) The responsibility of civilisation for the protection and uplifting of the backward races has been established in the mandatory system.

(e) The improvement of labour conditions and the solution of the economic problem have been recognised as essential elements in world peace.

These are great achievements and, if they are lived up to, the ideas which they represent will gradually transform the world for the better. They will not, however, work of themselves. There are plenty of forces left in the world only too anxious to tear down the edifice which has grown out of the sacrifices of the great war. Unless the Western nations actively support and develop the new order which they have brought into being, the settlement of 1919, like others before it, will come to represent not the foundations of a new world, but a high-water mark from which the tide of human affairs will gradually roll back into the old confusion of selfishness and war.

If the nations of the West are to prevent this it is first and foremost necessary that they should begin by setting

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their own houses in order. Unless they can find peace at home they are not likely to help the nations to peace abroad. This means dealing with many things—drink, housing, education, land laws, taxation, and so forth. But it means especially dealing with the problems of capital and labour. The one conspicuous failure of the Peace Conference was in Russia. Every attempt to deal with the Russian problem has failed, and the reason is clear. Russia for the last two years has been concerned with social and economic rather than political questions. She is torn between two groups, one bourgeois and the other Bolshevik, who are concerned quite as much with economic as with constitutional principles. The Western Powers have been unable to find a solution of the Russian problem because it is fundamentally an economic problem. They have not yet found a solution of the capital and labour problems in their own countries. The strikes and unrest of recent months are a sufficient proof of this. The solution of the industrial problem, therefore, which more and more is coming to the front in every land, is perhaps the most urgent necessity of the times. There can be no sort of peace in the world until that is done. There will be no stability in the world until enough food, coal, housing, furniture, clothing and those luxuries which are really necessities are produced and distributed on a basis which will give to every individual a comfortable livelihood and adequate leisure and the opportunities to enable him to turn it to profitable account. That this can only be done by work goes without saying, but it must be work which is directed towards the ever-increasing economy of physical effort through the ever-increasing use of machinery. And this in turn will only be possible when the true spirit of democracy permeates industry and when capital and labour learn how to co-operate in the common task of production, neither side demanding autocratic powers, and both sharing equitably the profits of their efforts.

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But if the solution of the industrial problem takes a front place in the programme of world reconstruction, the external problem occupies a place of hardly less importance. The broad outlines of the latter are pretty clear. Above all, the new-found unity of the Western Powers must be preserved. As the nations which understood enough of liberty and democracy to fight for it against terrible odds, they must necessarily take upon themselves the principal rôle in preserving liberty and promoting progress in the world. If they take so little practical interest in the maintenance of international law, or allow themselves to be so moved by greed, jealousy, or suspicion as to fall apart, it will inevitably mean that the reactionary forces throughout the world will see their chance and once more set forth their claim to become the leaders and the autocrats in human affairs. The peace of the world is not yet established. There are many problems which, if they are not solved on right lines, may again plunge the world in war. There is Russia, with its countless millions still liable to fall under the domination of any clever and dominating power unless they are actively helped and guided by the democratic Powers. There is the Far East, where Japan seems still to be endeavouring to establish a position of dominance in China's affairs. Japan has her rightful task and her rightful reward in the development of the Eastern peoples. But militarist and reactionary forces are very strong in her government. Unless the Western Powers exert their influence to help and protect China in the management of her own affairs, and insist that, as China progresses, so shall all special foreign concessions and privileges be abolished, Japan may make the fatal mistake of following Germany's example and endeavouring to set up a new military Empire in the East, with results fatal to herself and tragic for other nations. The Shantung clauses which Japan insisted on inserting in the Treaty are an ominous sign, unless she lives up in the spirit and the letter to the undertakings she has given to the Allies. Then there are Eastern Europe and the

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Near East. There the old game of attempting to grab territory, to denationalise subject races, to oppress the Jews, to struggle and intrigue for economic privileges, is raging almost as fiercely as ever. In all these questions it will need a just and watchful judgment and firm and prompt decision to prevent the international cauldron from again boiling over.

The day when the Western Powers can disinterest themselves in international affairs has certainly not dawned. Further, unless they are not only willing to face these problems but to equip themselves to make their rulings effective, by the use of economic or even military or naval power, the world will inevitably drift back into anarchy and war. The real test of their sincerity will not merely be their readiness to talk about foreign affairs, or their anxiety to abolish the evil of conscription at home, but their willingness to take their full share of the common burden and to find by the most democratic means the forces necessary to enforce respect for liberty and the rights of weaker States on the strong.

Of all the peoples in the world to none will fall a greater measure of responsibility than to France and the English-speaking peoples. The task before Great Britain, however, differs in great measure from that which awaits the rest of the English-speaking world.

Great Britain has undoubtedly taken her share of world responsibility in the past. Not only has she four times stood in the forefront of the battles which saved the world from falling under the domination of the great European autocracies, but she has also assumed in full measure her share of responsibility for guarding and giving good government to the backward peoples. She has now about four hundred millions of them under her charge. She certainly cannot be expected to increase her liabilities in this direction. But if Great Britain has not shrunk from responsibility and if also she has given honest government, justice, peace and material progress to the peoples for

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which she is trustee, she cannot be said to have shown any very robust conviction that it was also her task to train them as rapidly as may be to take the responsibility of government for themselves. The affairs of Britain have, in the past, been conducted by an oligarchy—a talented and benevolent oligarchy no doubt, but none the less an oligarchy. Doubtless this has been largely due to the terrific measure of foreign responsibility which has rested upon her, and upon her alone, in international affairs, because in the old world, as it used to be, the conduct of foreign affairs was necessarily a matter for experts, which an electorate could not follow. But the consequence is clear. Oligarchs do not understand the spirit of democracy, and oligarchy has therefore contributed to the industrial difficulties within Britain herself and has produced a vehement nationalism throughout all her dependencies. Let us confess it without reserve. Great Britain had never shown before the war the capacity to educate peoples of non-British race for whom she was politically responsible in the arts of self-government. She has preferred the shorter and easier road of efficiency to the longer and more difficult and more sympathetic task of education. Hence we have the remarkable spectacle of peoples in all parts of the world who have languished under the rule of autocrats, or who are suffering from anarchy, clamouring for the benefits of British law and order, while Ireland, India, Egypt and other countries which have reaped genuine benefits of British rule are racked by violent movements for national independence. There is no doubt that the nationalist movements in all these countries are largely extremist and have been encouraged and exploited by German, Bolshevik, and other malignant agencies. But these anarchical elements have been successful only because they have had a genuine grievance to work upon. Unless Great Britain learns, and learns soon, what democracy means, so that she may be able to teach self-government to the peoples for whom she is responsible, the creation of that

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commonwealth of many nations, many races, and many colours, of which we have dreamed, may never come into being. Fortunately the Franchise Act of 1918 and the experience of the war have enormously democratised the political life of Britain, and we may look forward with confidence to the future. Even so, however, success will come not so much from constitutional reform as from the zeal and devotion with which people throw themselves into the task of helping and encouraging the newly enfranchised races to govern and improve themselves.

But no less a task lies before America and the Dominions. Up till 1914 they have one and all elected to develop behind the shelter of the British Navy and the British Army. In thus leaving the whole burden upon Great Britain they were a part cause of the failure of Britain to democratise its methods. Thus whereas in Great Britain, during the last fifty years, several elections have been fought largely on a foreign issue, thereby making it difficult for the electorate to force their own domestic needs to the front, no election before 1914 was probably ever fought in the English-speaking world beyond the seas on any but a purely internal programme. While, therefore, Britain has upheld liberty, law, and order throughout the world, the overseas English-speaking world has developed practical democracy and a progressive society far ahead in many respects of that which exists in Great Britain. The time has come when the rôles must be reversed. The task not only of maintaining law and order, but of spreading real education and real progress throughout the world is not only infinitely greater but infinitely more urgent than it ever was before. If mankind is to move forward in step, America, Canada, Australia, New Zealand, South Africa, each in their own sphere, must contribute their stream of effort and illumination to the common pool. What that means in practice we cannot now do more than mention. That it means the acceptance of large mandatory responsibilities by America goes without saying. A nation of 100,000,000

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possessed of far greater wealth than any other in the world cannot continue self-centred in her own home and grow to the full stature of national manhood. America laid herself open to the charge of selfish indifference to anything but her own interests by the slowness with which she recognised her duty in the war, and the consequently comparatively small sacrifice which she made for the cause of human freedom. She is now showing a similar readiness to try to escape from practical responsibility for the unfortunate peoples not yet able to stand alone, and consequently to leave them to be exploited and in some cases massacred by peoples in no way qualified to have control of them. America will doubtless rise rapidly to a sense of her responsibilities. But it is urgent that she should not delay.

The problem of the Dominions is different. They pulled their full weight in the war. All of them, except Canada, have now assumed trusteeship for backward peoples. They have now to evolve the proper means of sharing with the motherland both the control of foreign policy and the responsibilities which that policy entails.

In conclusion, a word about Ireland. There is little doubt that the Irish question is the greatest present hindrance to the growth of that mutual understanding throughout the English-speaking peoples which is essential to future peace. The Irish question must be solved, but it will be solved only by the co-operation of the three parties principally concerned. It will not be solved merely by maintaining the *status quo*. Nor will it be solved by giving in to extreme Irish agitation, which, in its combination of clericalism, Bolshevism, and racialism, is one of the most reactionary forces in the world, and which, as long as it is supported by the bulk of the Irish people, makes agreement between Ulster and the rest of Ireland—so essential to Irish unity and Irish peace—well-nigh if not entirely impossible. But if Irishmen contribute in great degree to their own misfortunes, Ireland's neighbours do so also. Great Britain's failure to teach democracy

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to the peoples under her charge has already been noted. The Irish problem will not be solved if Great Britain takes advantage of Irish irreconcilability to shrug her shoulders and maintain the *status quo* in the interests of Ulster. She must take the courage of her democratic convictions in both hands and put through a scheme for Irish self-government which is just and impartial as between both Irish parties. America, too, has her part. America in her self-concentration has allowed herself to be deceived by Irish propagandists. Not the least contribution she can make to the solution of the problem is to make it clear to Irishmen everywhere that they will find no support for the policy of secession from the United Kingdom in a country which spent a million lives to preserve its own union. In doing this she will do much to help to kill that extremism which prevents Irishmen agreeing among themselves and with their neighbours across the channel.

The subject matter of this article may perhaps be summed up in one or two sentences. We have now reached a stage in the world's history when we must look at the world problem as a single whole. Regarded from that point of view the solution of the problem is simple of statement however difficult of execution. The progressive democracies have discovered a fundamental unity in the war. They believe on the whole in the same ideals and the same principles of human progress. These ideals and these principles are not understood by the vast masses of humanity. They are actively resisted by organised reactionary forces in every country of the globe. If the world is to progress it can only be because these Western countries not only improve their own society and their own system of government, but because they combine to bring enlightenment and assistance to the rest of the world. If they live up to the standard they themselves have set in the last five years, there is little doubt that in half a century they could change the world. Dire poverty might be almost unknown: education might not only attain at last in

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civilised countries the standard which the democratic ideal demands but also be spread far among communities which hitherto have never known it : the maintenance of law and order might be everywhere the rule : and self-government, if not everywhere an accomplished fact, might at least be firmly set upon the road to becoming the universal system of mankind. If they lose sight of the task which thus lies before them and become wholly preoccupied with their own affairs they will certainly quarrel among themselves. Backward humanity will be organised and instructed not by the progressive peoples but by the reactionary. And they themselves will be faced before the century is out with a new combination of autocracies far more formidable than the last, because still better equipped with mechanical appliances of destruction, and they will have to preserve liberty among mankind by engaging once more in a war even more terrible than that which has just been fought.

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THE greatest danger which threatens us is the chasm which lies between appearance and reality, between reality and what the bulk of the nation believes it to be. If all sections of our population saw the chasm in front of us and made up their minds that it must be bridged, we could easily do so. Our danger is that, not foreseeing it and blinded by internecine strife, as we approach it, we shall fall into the abyss. Perhaps an equal risk is that, in our ignorance of the real conditions of our economic prosperity, we shall, when the dangers are too close to be ignored, embrace any panacea which may be nearest at hand in a vain hope that it may work a miracle.

We are deceived by our appearance of prosperity. Never has there been so much "money" about: great classes of the population either are, or at least feel that they are, better off than they have ever been; profits in most trades are abounding; deposits in the banks go up by leaps and bounds; there is every symptom of feverish prosperity which accompanies rapidly rising prices. Yet all the time the upward movement continues; the inarticulate possessors of "fixed incomes" are slowly ground between the upper and nether millstones of taxation and high prices, and the whole economic fabric becomes more and more undermined.

Every financier and economist and all past experience tell us that such a state of affairs cannot last for ever, and must, indeed, if long pursued, end either in a sudden

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collapse or more or less prolonged depression. But, if we do not understand the grounds for these predictions, they will not be heeded, until the trouble begins. Indeed, they will merely confirm that disbelief in expert opinion which our seeming prosperity for five years through the course of a gigantic and costly war has spread far and wide. It is incumbent, then, on economists who hold this opinion to make some effort to show the real facts, to predict in what manner the existing situation will develop, and to suggest what safeguards and remedies may be applied.

I

ONE effect of the artificial conditions in which we are living has been to intensify the general belief on the part of the people that there is any amount of wealth to make everyone comfortable, if it could be got hold of, and that it is their business—almost their duty—to “have a shot at it,” since by so doing they will benefit themselves and the whole nation.

While everyone will admit the imperfections of the existing distribution of income and the great need to make England a better place to live in, there could unfortunately be no greater delusion than to believe that any redistribution can make our wealth really sufficient. There is ample proof that the increase of wealth is even more important than its better distribution, and must, in fact, precede it. Indeed, no proper perspective for the consideration of the questions which are now agitating the nation can be obtained, unless the true facts with regard to the national income are thoroughly grasped. Since, in the economic sphere at any rate, they govern the whole matter, it is worth while to restate them briefly.

The most authoritative statement is to be found in Dr. Bowley's recent work,* in which he analyses the national

* *The Division of the Product of Industry. An Analysis of National Income before the War.* Arthur L. Bowley. Clarendon Press.

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income as it stood just before the war. His exhaustive and able statement should be read by everyone. His general conclusion, amply confirmed by the figures which he gives in detail, is that "the spendable wealth of the nation derived from home industry has been grossly exaggerated by loose reasoning." Before the war the home income would "not have yielded more than £230 gross annually per family of five or £170 net after all rates and taxes were paid and an adequate sum invested in home industries. The income brought home from abroad amounted to about £90,000,000, or £10 a family. The average family is not, however, five, as is frequently assumed, but about four and a half persons; the number of households is not 9,000,000, as just taken, but about 10,000,000, and the average net income of a family would have been £153 from home product, or £162 if income from abroad is included. If this sum is compared with pre-war wages it must be remembered that there are on an average nearly two earners to a family."

Again Dr. Bowley points out that about 60 per cent. of the total national income goes to those whose annual income is under £160. The balance of 40 per cent. goes to the 1,100,000 income tax payers and their families; but of this 40 per cent. a considerable proportion is earned as salaries or by farmers, and a further still larger portion goes to pay rates and taxes and to provide the sum which has yearly to be reinvested in industry. He further calculates that the average salary of all salaried persons paying income tax was about £340, and that the average profit of all persons assessed to profits over £160 can be roughly estimated at £500 per annum. Finally he calculates that on the extreme assumption, first, that every earned income in the country was reduced to £160 per annum, and second, that the whole of the balance so saved, together with all unearned income, was transferred to national purposes, only about £200,000,000 to £250,000,000 (at pre-war figures) would be available. "This sum,"

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continues Dr. Bowley, "would have little more than sufficed to bring the wages of adult men and women up to the minimum of 35s. 3d. weekly for a man and 20s. for a woman, which Mr. Rowntree, in *The Human Needs of Labour*, estimates as reasonable." In actual fact nothing approaching this sum would be available. To cut down all earned incomes to this limit and to confiscate all unearned incomes would without doubt largely diminish the production of wealth, at any rate for the time being, by the dislocation caused and by the diminution of the incentive to save or to go in for new development.

As regards profits Dr. Bowley's calculations are as follows :—

"In the whole group of industries for which we have adequate information, taken all together, excluding railways, it is found that 58 per cent. of the net product (after all other expenses and depreciation are met) goes to manual workers, 4 per cent. in small salaries, 6 per cent. in salaries over £160: in all 68 per cent. goes to those employed. 32 per cent. is left for royalties, rents, interests and profits, advertisement, etc., and this is reduced to 23 per cent. if we count our royalties (as not being the result of the efforts of employed) and allow 4 per cent. for the necessary repayment of or interest on capital invested. How far this 23 per cent., or £133,000,000, together with a relatively small sum (probably well under £10,000,000) for the salaries of managers of companies, is an excessive or unnecessary remuneration for the organisation of industry employing 6,000,000 wage-earners and £1,200,000,000 capital, and producing £340,000,000 wages is a question that may properly be debated. It is this sum that formed the only possible source of increased earnings in this group with industries conducted as before the war and production at its then level. In fact, while in some industries a considerable advance may have been practicable, in the majority no such increase as would make possible the standards of living now urgently desired and

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promised in the election addresses of all the political parties could have been obtained without wrecking the industry, whether by stopping the source of further investment or closing down firms whose profits were low. This statement in its general terms cannot, it is thought, be reasonably denied by anyone who has studied the facts."

Dr. Bowley's conclusion is that "there is no hopeful way of dealing with the state of affairs portrayed by these statistics, except by increasing production, care being taken that the increased product is well distributed." All the improvements as regards labour and capital necessary for increased production will, however, need time, skill and patience, and they have not yet taken place. "There is a great risk of disappointment and failure if there is an attempt to grasp the fruits of progress before the tree that might produce them has been cultivated. This analysis has failed in part of its purpose if it has not shown that the problem of securing the wages, which people rather optimistically believe to be immediately and permanently possible, is to a great extent independent of the question of national or individual ownership, unless it is seriously believed that production would increase greatly if the State were sole employer. The wealth of the country, however divided, was insufficient before the war for a general high standard; there is nothing as yet to show that it will be greater in the future. Hence the most important task—more important immediately than the improvement of the division of the product—incumbent on employers and workmen alike, is to increase the national product, and that without sacrificing leisure and the amenities of life."

The figures given by Dr. Bowley are supported by Dr. Stamp,* another competent authority, in his recent

* *The Wealth and Income of the Chief Powers.* J. C. Stamp, C.B.E., D.Sc. Royal Statistical Society, 1919.

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estimate of the Wealth and Income of the Chief Powers.
Dr. Stamp's interesting analysis is reproduced below.

Summary Table, showing the estimated Wealth and Annual Income of various Countries at the outbreak of War in 1914, and the approximate accuracy of the respective estimates.

Country.	National capital.			National income.		
	Approximation to accuracy : Grade.*	Amount in million £.	Amount per head of population.	Approximation to accuracy : Grade.*	Amount in million £.	Amount per head of population.
United Kingdom ...	I	14,500	£ 318	I	2,250	£ 50
United States ...	II	42,000	424	II	7,250	72
Germany ...	II	16,550	244	I	2,150	30
France ...	II	12,000	303	II	1,500	38
Italy ...	III	4,480	128	IV	800	23
Austria-Hungary ...	III	6,200	121	IV	1,100	21
Spain ...	IV	2,940	144	IV	230	11
Belgium...	III	1,200	157	—	—	—
Holland...	III	1,050	167	—	—	—
Russia ...	IV	12,000	85	—	—	—
Sweden...	III	940	168	—	—	—
Norway...	IV	220	90	—	—	—
Denmark ...	IV	500	176	—	—	—
Switzerland ...	IV	800	205	—	—	—
Australia ...	I	1,530	318	I	258	54
Canada ...	II	2,285	300	IV	300	40
Japan ...	IV	2,400	44	III	325	6
Argentina ...	III	2,400	340	—	—	—

- * Grade I. Estimate is not likely to be inaccurate to a greater extent than 10 per cent.
 „ II. Estimate is not likely to be inaccurate to a greater extent than 20 per cent.
 „ III. Estimate is not likely to be inaccurate to a greater extent than 30 per cent.
 „ IV. Estimate *may* be inaccurate to a greater extent than 40 per cent.

What is the broad lesson we can draw from the figures of Dr. Bowley and Dr. Stamp ? It is that in all countries man has not yet done much more than draw from nature by hard toil and labour the bare necessities of life. Nature

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is not bountiful, or perhaps man, presuming on her bounty, multiplies too rapidly. In no country is there any vast store of surplus wealth. We are better off than most, but only owing to our natural resources and to the efforts and savings of past generations. And our wealth, such as it is, has been secured only by a vast and intricate system of national and international division of labour and exchange of our goods against the goods of all foreign countries. It is no easy matter daily to feed, clothe, house, transport and provide some amenities of life for 45,000,000 souls on these small islands. It is almost a daily miracle that we do so and it is done only at the cost of highly complicated industrial society involving very great specialisation, which has many drawbacks, and against which we seem now to be rebelling. The profound dissatisfaction which is evident in every great industrial country is not unnatural. Our modern civilisation is an unlovely thing. Never before in history have such vast masses of men been called upon to toil in surroundings, which divorce them so completely from that nature, in close touch with which man has through countless generations lived. Never before have they had to work so mechanically and monotonously. The people of Erewhon, in Samuel Butler's great satire on modern society, rose in revolt against the slavery of machinery and destroyed every machine, notwithstanding that at first the country was plunged in the utmost misery. "How many men at this hour," said the Erewhonian leader of this revolution, "are living in a state of bondage to the machines? How many spend their whole lives, from the cradle to the grave, in tending them by night and day? Is it not plain that the machines are gaining ground upon us when we reflect on the increasing number of those who are bound to them as slaves and of those who devote their whole souls to the advancement of the mechanical kingdom." Since Butler's day the point of this satire has grown greater and not less. "The swift stride of civilisation," says another writer, "is leaving

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behind individual effort and turning man into the Dæmon of a machine. To and fro in front of the long loom, lifting a lever at either end, paces he, who once with pains-taking intelligence drove the shuttle. *Then* he tasted the joys of completed work, that which his eye had looked upon and his hands handled; now his work is as little finished as the web of Penelope. Once the reaper grasped the golden corn stems and with dexterous sweep of sickle set free the treasure of the earth. Once the creatures of the field were known to him, and his eye caught the flare of scarlet and blue as the frail poppies and sturdy corncockles laid down their beauty at his feet; now he sits serene on the Juggernaut car, its guiding Dæmon, and the field is silent to him."

No one, indeed, can yet say to what end our mechanical civilisation is leading, whether to success or to revolt and failure. But we have allowed the increased facility of wealth-production to result in the birth and existence of hundreds of millions more men and women, and we must either continue to toil to produce the wealth, with which to sustain them or follow Russia and establish a new equilibrium by starvation and death.

It may be urged that the problem is not an economic but a psychological one. If we can find some other industrial system which appeals with more force to the better instincts of man and develops all his faculties, it may be that his greater contentment of soul will solve our economic difficulties and that the wealth he will produce will be much greater. If we can only associate more than we do now both his self-interest and his intelligence with his work, if he can feel that the work on which he is engaged most of his earthly life has some meaning for him and that he is not simply another machine added to all those he uses, then he will labour far harder, because with far greater goodwill.

All this and more is true. The manual worker, the brain worker, and the saver of capital, or, in other words,

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the shareholder, are all necessary to modern industry. They must all receive their due reward, and all share in the responsibility for the industry in and by which they live. The harmonisation of their interests to a greater extent than now is a work of great difficulty and complexity, which in all probability can only slowly be worked out. It cannot be solved by any crude system of making us all slaves to a bureaucratic State. Nor can it be solved at all if each section is inspired by brutal class-selfishness and materialism. Those who realise the enormous complexity of the economic problems involved and the impossibility of securing ideal justice and equality or anything like it in this world cannot but be convinced ever more deeply that far more important than anything else is the spirit in which these questions are approached by each party. If we love our neighbour as ourselves, we can co-operate with him in finding a better way; if we start by hating him we certainly cannot. The highest teachings of religion and their application to practical life are the cement of society. The loosening and cracking of this cement is the most potent modern influence towards social and even economic demoralisation.

Meanwhile it is necessary to insist on the economic facts in order to show that disaster will overtake us all if, through impatience or class-selfishness, we try a short cut by destroying what already exists and not by the slower method of amending and improving. Our complicated machine is easily destroyed, or, at least, put out of gear, and unless we keep it running at full speed we shall soon face economic ruin.

But the war with its effects—intolerance on one side, profiteering on the other—has not brought with it a spirit of moderation. The most depressing aspect of to-day's situation is to watch sections of the working population, misled by the fallacies of their extremist leaders, deliberately committing suicide. While everyone will suffer, it is *they* who will suffer most by our diminished national

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income. Wages can only be paid out of production, and the small margin of safety we possess is day by day being reduced. Labour is day by day working to depress its own standard of life, and, unless our course is quickly changed, no power on earth can prevent it. The root of the trouble is very deep. It lies in the repudiation by many of the whole existing economic system. In their revolt against it they claim that manual labour and skill are the only elements in production, and they demand the elimination of private capital and capitalists. They ignore the fact that saving is a vital factor in production, and that individual initiative, boldness and skill in enterprise, inventiveness, organisation and the taking of risks are also all-important and that without them pure manual labour is of little account. Hitherto profits have been the reward and losses the penalty of enterprise and risk. "Nations are made or unmade," says Mr. Samuel Turner in his stimulating book *From War to Work*, "by the thinking and the acting of their citizens; and what matters most of all is the thinking, for the acting follows upon it. Russia and Siberia have, probably, far greater natural resources and far greater potential wealth than America; but because their peoples have thought and acted in a certain way, the history of their national development has been disappointing. America is America simply because her citizens have thought and acted with wisdom, shrewdness, and energy." Again "the Ford factory," as he points out, "in Detroit employs immigrants very largely, many, many thousands of them. These men are of various nationalities—Poles, Letts, Slavs, Italians, etc.—and it is probably true to say that in their native surroundings they never earned more than a shilling or two at the outside a day. Yet thousands of these men—i.e., 'labour'—who never in their lives earned more than the barest pittance, cross the ocean. They are absorbed in a great industrial organisation, where, thanks to the directing ability of a higher intelligence than their own, they are paid, when

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accepted, twenty shillings a day for eight hours' work. In the land of their birth their working day would doubtless be from sunrise to sundown." It is the policy of the Labour Party in future to dispense with the incentive of profits, either by "nationalisation," or "by the steeply-graduated taxation of private income and riches." In this way "it intends to find the new capital which the community needs and for which it will decline to be dependent on the usury-exacting financiers."* The important question, however, which it is not in the power of the Labour or any other party to determine is whether capital will in these circumstances be found to exist in an equal amount to now. Profits are a powerful incentive; risks and losses almost a constant feature of new forms of wealth production. It is more than doubtful if with that incentive gone we shall produce as much, and, as the figures just quoted show, we have none too much already.

As to saving, it is a profound error of labour to regard capital as its enemy and saving therefore as harmful. If capital is the enemy of labour, surely it is strange that, as Mr. Turner points out, "at all times the migration of labour, nationally and internationally, has been towards those areas where, for the time being, the operations of capitalists were most active." Some aspects of the capitalistic system may be intolerable, but capital itself is labour's greatest friend. What is imperatively required is that there should be more of it and that it should be better distributed. The remedy for our ills is to be found in the workers becoming capitalists, not by confiscating the property of those who now possess it, but by joining them in owning it. To do this they must have both the will and the power to save. They must understand how vital is saving to themselves and the whole community, and their wages must be sufficient to allow them a margin for saving. But since wages are paid out of production, production must be increased.

* *Labour and the New Social Order*, January 1, 1918.

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Meanwhile saving is seriously discouraged by present tendencies and by labour's tendency to demand that the State shall be the only capitalist. The man who has grown rich, not at anyone else's expense, but by extracting fresh wealth from Nature through his own enterprise, initiative and courage; the shareholder, small and great, all who by saving have added to the national income and labour's share in it, all are treated by the more extreme Socialists as parasites upon society. If these doctrines are pursued to their logical conclusion, the end must be disaster. It is only because in the United States there is more capital than labour is more highly remunerated there. The less capital, the higher the price to be paid for it, the less share of labour in the total product, and the greater the unemployment. Interest, which must be paid on savings if there are to be any, is going up rapidly as the demand grows greater and the supply less. "Nationalisation" can do nothing to prevent this. If capital is scarce it must be paid for more highly. Just as labour, if it is scarce, will receive a higher wage. It does not matter whether interest is paid by the State or by a private company. The State must borrow at the market rate unless it is able to make such great profits out of the consumer that it can meet all capital charges out of them, or unless it can institute some system of compelling its employees to save a portion of their salaries and wages and lend them to it below the market rate.

Mr. Smillie and his friends would soon understand the vital part played by saving in a nation's economy if the Miners' Federation were to take over the coal mines. For if the mines are to become efficient they must have many millions spent on them. Who is going to provide the millions, unless for the market price, including interest on capital and a return for the risks run? If Mr. Smillie cannot get them elsewhere, he will have no choice but to let the mines run down or to force the miners to save the necessary sums. *Saving* by some one there must be. And

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those who save must be induced to do so by some reward for their abstinence and risk. Interest and profits in some form must be paid them.

The trouble, indeed, about British industry before the war was that just as wages were too low, so profits were often not great enough as compared with the profits of industry in many countries abroad. In other words, production was lower, often, no doubt, owing to less favourable conditions. There was a very distinct tendency on the part of British capital to be exported to foreign countries, where profits were greater. British industry, in fact, must be made more efficient and so enabled to pay higher wages and sufficient profits. The hopeful side of the great increase in wages and costs is that they may force British industry to show far greater efficiency, to work on a larger scale, to eliminate waste, and to apply more labour-saving devices. Low wages have in the past led the British employer to think far too much of the cheapness of labour and far too little of the efficiency of his organisation. There is no doubt whatever that we were fast falling behind in the modern race, as was pointed out in *THE ROUND TABLE* of December, 1916. If we could all pull together there is no reason why we should not quickly reconquer our old position in the world. Our productive capacity is unimpaired, the demands for our products great. We require merely skill, intelligence, energy and goodwill. If, however, false ways of thinking impair our productive capacity, our future must be uncertain.

At present, however, we have to face the fact that, however our national income is divided, there is not in reality enough to go round. You cannot make something out of nothing. If the miners get 6s. more in wages and do not produce 6s. more wealth, then, unless profits can be reduced sufficiently to provide the sum required—which is not the case—the rest of the community will get 6s. less, since prices are bound to rise to that extent. If every one in every industry gets 6s. more, then prices will go up by 6s.

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all round, and everyone will be where they were before. That is indeed much what has happened. There is no remedy to be found merely by raising wages without increasing production.

On the other hand, the very fact that the national income, even if equally divided, is not sufficient for bare needs is proof of the criminal wastefulness of luxurious expenditure by the rich. The more their money is spent on wasteful and unproductive luxury, the less is saved and invested in productive industry for the purpose of meeting the needs of the nation, and particularly the working population.

II

DR. BOWLEY'S figures quoted above refer to the period just before the war. Unfortunately, since since then we have become considerably poorer. Both the country and the Government are now and have for five years been living far beyond their means; our prosperity in war time and now has been and is due to the fact that both country and Government have been living on borrowed money. When, as they must soon do, they cut their coat according to their cloth, we shall feel like a spendthrift who can no longer borrow, and who must depend in future on his own exertions.

Take first the country. In the first six months of 1919, as the Board of Trade figures show, we imported goods to the value of £326,000,000 more than we exported, or at the rate of £650,000,000 per annum. Before the war we earned by freights, interest and commission perhaps between £300,000,000 and £400,000,000 a year to offset our excess of imports and our export of capital. No estimate of what this figure is now is possible, but our interest earnings must have been largely reduced by our great sales of foreign investments. On the other hand

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freights are very greatly up. Whatever the resultant figure, as the exchanges show, we are importing far beyond our means. We have found this method of importing on credit so simple in the last two or three years, owing to the fortunate entry of the United States into the war, that few people realise that, had the United States not come in, the Allies could not after the middle of 1917 have continued the war on anything like the same scale as before. We alone have borrowed from the United States since March 1917 nearly £1,000,000,000. But that process has now come to an end, though many of our imports still being shipped may have already been paid for in borrowed money. But soon we must pay with our own money—i.e., our exports, our freight, and so forth—for all we buy, and it is only then that we shall feel the full force of the new conditions.

It is important our people should understand that other countries do not send us goods free for love of us. They want payment, and can only get it by buying products from us—e.g., coal, wool or manufactured goods. This means of payment they cannot now get, or only with difficulty, and therefore we shall soon find it difficult to import on anything like the same scale as now, notwithstanding that in general our imports are vital to our welfare. Moreover, all we import will cost us more; for the more the balance of trade goes against us, the more unfavourable become our exchanges and the less is the value of a pound sterling in terms of a dollar or a rupee. Already everything from the United States is costing us about 12 per cent. more than normal owing to the fall in the exchange, and, as it is likely to fall still more, this burden will probably increase. Imports from India cost about $37\frac{1}{2}$ per cent. more than before the war. Prices will advance equivalently here on articles so imported, and, as many of them are essential raw materials for our industry, the handicap we are imposing on ourselves is obvious. At a certain level the United States in their own interests may, and probably

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will, give us credit in a larger or smaller degree, since they will want to get rid of their exports. But borrowing is merely a palliative, not a remedy. We may by borrowing give ourselves a little more time to establish our balance, but meanwhile we shall fall still deeper into debt. It is imperative, therefore, that we should increase our exports, and particularly to those countries from whom we can get imports.

As long as the country lives beyond its means, we are in a vicious circle. The depreciation of the exchanges increases the cost of imports; prices accordingly rise, and the higher internal prices encourage further imports and discourage exports. It is only when we cannot go on living beyond our means—i.e., when the prices of imports become prohibitive by the fall in the value of our own currency and, on the other hand, exports are artificially stimulated by the increase in the relative value of foreign currencies—that the tide begins to turn. But such a process will involve a heavy strain and readjustment on so highly developed a foreign trade as ours, and we shall return to a healthy state only at great cost to ourselves.

It is probable that sanity as regards purchases abroad will be more or less imposed on us. Borrowing, whether abroad or at home, appears to most people to have been during the war a wonderfully successful scheme, a kind of invention in the economic world, which has somehow shown we were much richer than anyone ever thought. But perpetual borrowing is no easier to invent than perpetual motion. For, fortunately or unfortunately, the perpetual lender has not yet been discovered. Our borrowing abroad at any rate is likely to be strictly limited. America and other countries will, no doubt, lend to some extent. But all Europe requires credit, and America's credit resources will be greatly taxed to provide for nations more destitute than we are.

Our problem is indeed a difficult one. For our own sakes and for the world's we must help Europe to mend its

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broken economic life. We must trade with it, because we must sell our goods. Yet we cannot trade except on credit, since Europe has, broadly, no means of paying. How can we give credit, with our enormous adverse balance of trade, and when we too must borrow? Must we not sell our exports only to those countries who can pay us in immediate imports? If we use our labour and capital to provide exports to an impoverished Europe, which must owe us for them, is not our power to purchase our own imports *pro tanto* reduced? There is no wholly satisfactory answer to these questions. Strictly speaking, we cannot afford to give credit. On the other hand, to some extent we must. It is an impossible policy to refuse to trade with Europe at all. We must ourselves rely, in our turn, on getting credit elsewhere. The crisis is too great and urgent. Most of Europe is in desperate need. Unless its industries get started the very gravest social disorders and even social collapse seem probable, and the reaction on ourselves would be profound. The rapidity, too, of our recovery depends on that of Europe. We must all go forward more or less together. It may be argued, if we refuse help, America, with her vastly favourable balance of trade, can and should give it. But, while she will give credit to sell *her own* goods, will she lend to sell *ours*? She would be wise and far-sighted to do so, but it is doubtful if she will. But while giving and taking credit to such a minimum extent as will be found inevitable, we must face the fact that lending and borrowing are merely temporary expedients. What is vital for the impoverished countries of Europe, including our own, is to work hard and live hard until they can pay their own way.

The problem would be rendered more easy for us if all countries exporting raw materials, especially the British Dominions, would themselves provide the necessary credit for financing their own exports, instead of looking to the overburdened British people to do so.

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If our borrowing is, as it should be, reduced to a minimum, then we must allow economic conditions full play and let the exchanges fall to the point which our situation justifies, and which, at whatever cost in higher prices to ourselves, will compel us one and all to live as our circumstances demand.

But it is not only the country but the Government, too, that has been living for five years beyond its means. It is the vast internal borrowing by the Governments of all belligerent countries, with the consequent inflation of currency and credit, from Vladivostok right round the world to San Francisco and Vancouver, that has led in the main to the vast increase in world prices. This increase will continue as long as Governments borrow large sums by means which add to the floating amount of money and credit. Here again we are in a vicious circle. Every increase in prices at present means more Government borrowing, and Government borrowing again increases prices. There is only one remedy. Revenue and expenditure must balance. We all sympathise with the great schemes of social betterment, involving vast and often productive outlay on the Government's part. Nevertheless, if, as seems likely, we have almost reached the limit of productive taxation, the first duty of a statesman is to see that expenditure does not exceed the revenue he can raise. A capital levy is not an alternative. It must not be used for revenue purposes, but only to pay off capital debts. It would, no doubt, reduce interest charges, and so allow of some reduction in taxation. But it would be a fatal and spendthrift policy to use it for meeting recurring expenditure.

Similarly, it is a ruinous policy to use taxation to pay subsidies on coal, bread and railways. Every industry must stand on its own feet. Otherwise we shall end in the most hopeless confusion. For this reason Sir Auckland Geddes's imposition of 6s. on coal is to be heartily welcomed, and it is to be hoped the railway, bread, and

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any other subsidies will be dealt with also. Anything is better than "make believe." To do away with subsidies will increase prices. But we shall at least have some chance of getting on to a sound basis. To maintain them would also increase prices by increasing Government borrowings, as well as prolong a rotten economic situation. So long as prices *ought* to be high, to correspond with the increased inflation, it is useless to try and dam the flood. A French authority recently informed the writer that the French Food Administration determined to provide cheap food for the workers. At Marseilles, for instance, a *dejeuner* of $1\frac{1}{2}$ francs was provided. It was found, however, that the result was that the workmen merely bought wine for 5 francs and cigars for 2 francs. They had plenty of paper money, and they were going to spend it somehow.

This problem of internal borrowing is, if anything, more dangerous than external. We cannot borrow abroad if no one will lend. But, even if we refuse to subscribe to our own Government loans, a reckless Government has still one expedient, fatal but simple. It can take our money from us without our knowing it by issuing more currency notes. Before the war no Government had such power. But since we have abandoned the gold standard there is no further legislative hindrance to unlimited depreciation. As the currency increased, prices would go up and up. No price regulation would be of any avail, nor any other method of stopping profiteering. While prices are rising, profiteering is automatic. To follow this line, therefore, would be suicidal. But in a tight corner politicians do suicidal things, and very many Governments in history have fallen to the temptation, and indeed are falling now.

Suppose, however, that, whether by choice or compulsion, the Government pursues a sound policy. There would then be hope that we should gradually right ourselves. So far as prices were dependent on our own as apart from world conditions, they would tend to remain stationary or gradually to fall. Falling prices bring, as is

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well known, depression in industry. Production slackens in order to readjust itself to consumption. Profits disappear. Businesses with heavy commitments get into difficulties. No one wishes to extend. Unemployment increases, and wages are extremely difficult to keep up. In fact, it is a period of unpleasant convalescence after fever. It has to be gone through, though it is wise to see that the high temperature does not fall too rapidly, since a general collapse of prices is to be avoided by all possible means. We have to brace ourselves to go through such a period. If we face facts, we may get over our difficulties more easily than seems now likely.

But suppose, on the other hand, that the Government does not economise and continues to borrow. Suppose, further, that production and exports continue at a low ebb. Then prices will probably rise very rapidly. The cost of imports, through the declining exchanges, will become so exorbitant that we shall hardly be able to purchase either food or raw materials for industry, and the very high prices due to this and to further inflation of currency and credit will both check consumption here and render competition abroad more difficult, apart altogether from growing social disturbance. Luckily for us, prices abroad are very high, often much higher than ours. But clearly such conditions have great dangers. When prices stop rising, many companies will experience great difficulties. A constant adjustment between supply and demand, consumption and production, is at all times necessary, and in times of such violent fluctuations a sufficiently rapid adjustment becomes more and more difficult. Moreover, a thoroughly unhealthy condition of affairs, of which we see many traces now, is brought into being. The normal consumption of all those who are not in a position to increase their incomes falls off in face of the constantly rising prices; the working population is affected similarly unless it can secure a continuously increasing remuneration; on the other hand, profits in many trades and businesses are, or at any rate appear,

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enormous. "Easy come, easy go," and all the class of profiteers, whether from the ranks of capital or labour, spend much on wasteful extravagance. Ultimately, however, the check in consumption due to the excessive cost of imports must tell. The necessary readjustment of production to consumption will not be made rapidly enough. Over-production in some line or other will prove exceptionally dangerous to industrial companies loaded with stocks bought at very high prices. If there were to be a general collapse of prices, there would be widespread failure and distress. What is more likely is that conditions would be sufficiently stable to enable the readjustment and fall in prices to be made gradually over a more or less lengthy period of depression.

There is perhaps no country in the world which stands to suffer more than England from very severely depreciated exchanges. In countries where internal production from the soil can be rapidly increased, or where industry either is not highly developed or can find its raw materials within the country's borders, depreciated exchanges can bring a rapid reduction of imports and increase of exports without a very great internal strain. But our state is different. The bulk of our imports—*i.e.*, food and raw material—we must have. We cannot export without them. The production of our own soil, whether in food or raw materials, cannot be rapidly increased. The situation is therefore very difficult. Let us repeat that it requires imperatively that prices should not continue to rise. They will certainly rise, whatever may be the measures against profiteering, unless economy on the part of the Government allows a halt to be called to further inflation and unless by increased production we can largely increase our exports. It is not profiteering—bad as that is—that is the greatest cause of high prices, but that condition of affairs in which profiteering is bound, by the very nature of things, to flourish. For an extravagant Government to pass Profiteering Acts is merely for Satan to rebuke sin.

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III

THOSE who think it is easy to exaggerate the seriousness of the present position are advised to study Mr. Hoover's Memorandum on the economic situation of Europe, published by the Ministry of Food since the above pages were written. For the purpose of convenience this striking statement is printed at the end of this article, since there is no living man who has a tithe of Mr. Hoover's knowledge and experience in this matter. Europe is in a plight which few in this country suspect. Whilst our difficulties are great, they are small compared with those of our neighbours.

Mr. Hoover endorses in a far more striking way all that has been said above with regard to the necessity of increased production, of saving, and of Government economy. It is particularly interesting to note the strong opinion which he expresses against any attempt to tamper by Government action with "the delicate and highly developed organisation of production and distribution," or to try to remedy our difficulties by the control of prices whether national or international.

There is no one concerned with Government price-fixing during the war, and the extraordinary complications and perplexities produced thereby, who would not echo his words. All-important is his statement that the control of prices and distribution cannot stop with a few prime commodities, but must go on, until they have all been placed under restriction "with inevitable stifling of the total production." Whilst Mr. Hoover with his unrivalled experience says this, our Government has introduced a Profiteering Bill which may do good in some directions, but may easily do more harm in others. Mr. Lloyd George should remember that he once said in a famous speech that you "cannot haggle with an earthquake."

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There is no sovereign remedy for our existing ills. They are the natural and inevitable consequence of the war. They arise partly from the destruction of wealth, partly from the inflation of currency and credit, partly from the interference of Governments, necessary during the war, with the normal course of supply and demand, and very largely from the enormous dislocation of world industry in every direction. All these influences are at work in raising prices. So far as our industry is affected by conditions in other countries, we can merely wait till they commence to recover. That depends partly on the wisdom of the Governments concerned, but far more on the energy and initiative, hard work and hard living of the people of each country. While, however, our neighbours' troubles will bring us troubles too, these can be enormously diminished or aggravated by our own action. The Government's duty is clear. It must bring its expenditure within the limits of its revenue, cease borrowing except for redemption of short-dated loans and stop inflating credit and currency. If it has not the courage to adhere firmly to such a policy, our situation must infallibly grow worse. It will require great courage. All sorts of schemes, which ought for other reasons to be carried out, must be abandoned, and one criterion alone established: "Can we afford it?" not "Is it an attractive and desirable scheme?" A man would often like to spend much more than he does for the benefit of his family, but, if he is not rich enough, he cannot. So with a nation. A large part of the population believes still that the war either will or at least ought to bring great improvements in conditions. They look for some new thing, for a new England where everyone will be better off than before, and they regard very naturally drastic State action as the main means of achieving this end. The State is either to "nationalise" this or that industry or it is to spend vast sums on housing, forestry, railways, canals and a hundred and one laudable objects. It is to find the means by raising great sums

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from the rich, voluntarily, if possible, or if not by compulsion. It is to secure to itself all profits, or, if necessary, to confiscate a good part of existing wealth.

Such a programme is not feasible. If a capital levy is resorted to, the proceeds must be devoted to reducing existing indebtedness, not to meet further expenditure. It is hardly possible to increase taxation on profits or any other source without diminishing the yield. There is, it is true, urgent need for large expenditure in many directions. But there is no benefit Government expenditure can give commensurate with the evils of further inflation and further rises in prices. Nationalisation or State Socialism in any form looked at from the economic standpoint must be judged in the long run according as to whether it will ultimately increase our national income—*i.e.*, result in the production of more wealth with less effort. On this subject something is said in another part of this issue.*

But for the immediate present it must be judged according as to whether it involves further Government expenditure. If it does, existing conditions forbid us in the interests of every class of the community to enter upon it.

Until economy is the watchword of the Government in power, it is useless to consider currency or any other reform. If once it is certain we have reached stability in Government expenditure, the way will be cleared for grappling with our other problems. Confidence will begin to return; industry will be able to make plans for the future, and reform of the currency can be taken in hand. If, however, we are deceived by the appearance of prosperity into thinking we can still afford all kinds of experiments, we shall invite the gravest economic and financial disorder.

* See *Nationalisation as a Remedy*, p. 720.

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APPENDIX *

THE ECONOMIC SITUATION IN EUROPE

Statement and Analysis by Mr. Herbert Hoover

THIS Memorandum was prepared by Mr. Hoover for special purposes and not for publication. The Food Controller, however, considered it of such interest that he asked to be allowed to publish it in this Journal. Mr. Hoover consented on condition that it was viewed as an analysis and not as a criticism.

I

The economic difficulties of Europe as a whole at the signature of Peace may be almost summarised in the phrase "demoralised productivity." The production of necessities for this 450,000,000 population (including Russia) has never been at so low an ebb as at this day.

A summary of the unemployment bureaux in Europe will show that 15,000,000 families are receiving unemployment allowances in one form or another, and are, in the main, being paid by constant inflation of currency. A rough estimate would indicate that the population of Europe is at least 100,000,000 greater than can be supported without imports, and must live by the production and distribution of exports; and their situation is aggravated not only by lack of raw materials, imports, but by low production of European raw materials. Due to the same low production Europe is to-day importing vast quantities of certain commodities which she formerly produced for herself

* From the *National Food Journal* (August 13, 1919), issued by the Ministry of Food.

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and can again produce. Generally, in production, she is not only far below even the level of the time of the signing of the Armistice, but far below the maintenance of life and health without an unparalleled rate of import.

Even prior to the war these populations managed to produce from year to year but a trifling margin of commodities over necessary consumption, or to exchange for deficient commodities from abroad. It is true that in pre-war times Europe managed to maintain armies and navies, together with a comparatively small class of non-producers, and to gain slowly in physical improvements and investment abroad; but these luxuries and accumulations were only at the cost of a dangerously low standard of living to a very large number. The productivity of Europe in pre-war times had behind it the intensive stimulus of individualism and of a high state of economic discipline, and the density of population at all times responded closely to the resulting volume of production.

During the war the intensive organisation of economy in consumption, the patriotic stimulus to exertion, and the addition of women to productive labour largely balanced the diversion of man-power to war and munitions. These impulses have been lost.

II

It is not necessary to review at length the causes of this decrease of productivity. They are, in the main, as follows :—

The industrial and commercial demoralisation arising originally out of the war, but continued out of the struggle for political rearrangements during the Armistice, the creation of new Governments, their inexperience, and friction between these Governments in the readjustment of economic relations.

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The proper and insistent demand of labour for higher standards of living and a voice in administration of their effort has unfortunately become impregnated with the theory that the limitation of effort below physical necessity will increase the total employment or improve their condition.

There is a great relaxation of effort as the reflex of physical exhaustion of large sections of the population from privation and from the mental and physical strain of the war.

To a minor degree, considering the whole volume, there has been a destruction of equipment and tools, and loss of organisation and skill, due to war diversions, with a loss of man-power. This latter is not at present pertinent in the face of present unemployment.

(The demoralisation in production of coal. Europe to-day is an example in point of all these three forces mentioned above, and promises a coal famine with industrial disaster unless remedied. It is due in a small percentage—from the destruction of man-power—to the physical limitation of coal mines or their equipment. It is due in the largest degree to the human factor of the limitation of effort.)

The continuation of the Blockade after the Armistice has undoubtedly destroyed enterprise even in open countries, and, of course, prevented any recovery in enemy countries. The shortage in overseas transportation, and the result of uncertainties of the Armistice upon international credits, have checked the flow of raw materials and prevented recovery in the production of commodities especially needed for exchange for imports from overseas. The result of this delay has been unemployment, stagnation, absorption of capital in consumable commodities to some extent all over Europe.

From all these causes, accumulated to different intensity in different localities, there is the essential

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fact that, *unless productivity can be rapidly increased, there can be nothing but political, moral and economic chaos, finally interpreting itself in loss of life on a scale hitherto undreamed of.*

III

Coincident with this demoralisation in production, other disastrous economic phenomena have developed themselves, the principal one of which is that the very large wages paid to special workers, and the large sums accumulated by speculation and manufacture during the war, have raised the standard of living in many individuals from the level of mere necessities to a high level of luxuries. Beyond this class there is a reflex in many other classes from the strenuous economies against waste and the consumption of non-essentials in all countries; and, as a result, there is to-day an outbreak of extravagance to a disheartening degree.

Another economic change, of favourable nature from a human point of view, but intensifying the problems of the moment, has been the rise in the standard of living in large sections of the working classes through the larger and better wage distribution, separation allowances, etc., during the war. Parallel with these classes are those of fixed income, the unorganised workers, and the unemployed, on whom the rising cost of living is inflicting the greatest hardship.

IV

During some short period it may be possible for the Western hemisphere, which has retained and even increased its productivity, to supply the deficiencies of Europe. Such deficiencies would have to be supplied in large degree upon credits. But aside from this, *the entire surplus productivity of the Western hemisphere is totally incapable of meeting the present deficiency in European*

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production if it is long continued. Nor, as a practical fact could credits be mobilised for this purpose for more than a short period, because all credits must necessarily be simply an advance against the return of commodities in exchange, and credits will break down the instant that the return of commodities becomes improbable. Further, if such credits be obtained for more than temporary purposes, it would result in economic slavery of Europe to the Western hemisphere, and the ultimate end would be war again.

The solution, therefore, of the problem, except in purely temporary aspects, does not lie in a stream of commodities on credit from the Western hemisphere, but lies in a vigorous realisation of the actual situation in each country of Europe and a resolute statesmanship based on such a realisation. The populations of Europe must be brought to a realisation that productivity must be instantly increased.

V

The outcome of social ferment and class consciousness is the most difficult of problems to solve. Growing out of the yearning for relief from the misery imposed by the war, and out of the sharp contrasts in degree of class suffering, especially in defeated countries, the demand for economic change in the status of labour has received a great stimulus leading to violence and revolution in large areas, and a great impulse to radicalism in all others. In the main, these movements have not infected the agricultural classes, but are essentially a town phenomenon.

In this ferment Socialism or Communism has claimed to speak for all the downtrodden, to alone bespeak human sympathy and to alone present remedies—to be the lone voice of Liberalism. Every economic patent medicine has flocked under this banner. Europe is full of noisy denunciation of private property as necessarily being exploitation. Considerable reliance upon some degree of Communism

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has been embraced by industrial labour even in non-revolutionary countries. Its extremists are loud in assertion that production can be maintained by the impulse of altruism alone, instead of self-interest. Too often they are embracing criminal support and criminal methods to enforce their ideals of human betterment. Every country is engaged in political experimentation with varying degrees of these hypotheses, and so far every trial has reduced production.

The Western hemisphere, with its more equitable division of property, its wider equality of opportunity, still believes that productivity rests on the stimulus from all the immutable human qualities of selfishness, self-interest, altruism, intelligence with education. It still believes that the remedy of economic wrong lies not in tampering with the delicate and highly-developed organisation of production and distribution, but in a better division of the profits arising from them. It still believes in the constitutional solution of these problems by the will of the majority, while Europe is drifting toward the domination of extremist minorities. The Western hemisphere's productivity is being maintained at a surplus over its own needs.

The first and cardinal effort of European statesmanship must be to secure the materials and tools to labour, and to secure its return to work. They must also secure a recognition of the fact that, whatever the economic theory or political cry, it must embrace the maximum individual effort; for there is no margin of surplus productivity in Europe to risk revolutionary experimentation.

No economic policy will bring food to those stomachs or fuel to those hearths that does not secure the maximum production. There is no use of tears over rising prices; they are, to a great degree, a visualisation of insufficient production.

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VI

During the period of reconstruction and recovery from reduced productivity conservation in the consumption of non-essential commodities is more critical than at any time during the war. The relaxation of restriction on imports and on consumption of articles of this character since the Armistice is disheartening in outlook. It finds its indication in the increased consumption of beverages and *articles de luxe* in many countries, even above a pre-war normal.

Never has there been such a necessity for the curtailment of luxury as exists to-day.

VII

The universal practice, in all the countries at war, of raising funds by inflation of currency is now bringing home its burden of trouble, and in extreme cases the most resolute action must be taken, and at once. In other countries of even the lesser degree of inflation such currency must be reduced and included in the funded debt, or alternatively the price of wages, living, and international exchange must be expected to adjust itself to this depression. The outcry against the high cost of living, the constant increase of wages and the fall in exchange that is going on are in a considerable degree due to this inevitable readjustment.

VIII

The stimulation of production lies in the path of avoidance of all limitations of the reward to the actual producer. In other words, attempts to control prices (otherwise than in the sense of control of vicious speculation) are the negation of stimulation to production, and

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can only result in further curtailment of the total of commodities available for the total number of human beings to be fed, clothed, and housed.

There still exists in Europe great bureaucracies created from the necessity of control of price and distribution by the conditions of the war, who are loth to recognise that with world markets open no such acute situation exists, and that their continued existence is not essential except in the control of speculation. The argument so much advanced that world shortage may develop, and justifies continued control of distribution and price, is based upon the fallacious assumption that, even if the world markets are freed of restraint, there is a shortage to-day in any commodity so profound as to endanger health and life.

From any present evidence, thanks to the high production outside Europe, no shortage exists that will not find its quick remedy in diminished consumption or substitution of other commodities, through minor alteration and price. All attempts at international control of price, with a view to benefit the population in Europe at the cost of the producer elsewhere, will inevitably produce retrogression in production abroad, the impact of which will be felt in Europe more than elsewhere. A decrease of 20 per cent. of Western hemisphere wheat would not starve the West ; it would starve Europe.

It must never be overlooked that control of price and distribution cannot stop with a few prime commodities, but, once started, its repercussions drive into a succeeding chain of commodities ; and that on the downward road of price control there can be no stoppage until all commodities have been placed under restriction, with inevitable stifling of the total production.

It is also often overlooked by the advocates of price control that, whereas the high level of production was maintained during the war even under a restraint of price, this high production was obtained by the most vivid appeal to patriotic impulse on both sides of the front. This

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stimulus to production and distribution no longer obtains, and the world must go back to the prime impulse—and that is the regard to the individual producer and distributor.

That body of advocates who have deduced from war phenomena that production and distribution can be increased and maintained by appealing to altruism as the equivalent of patriotism or self-interest should observe the phenomena of Russia, where the greatest food-exporting country is to-day starving.

IX

It must be evident that the production cannot increase if political incompetence continues in blockade, embargoes, censorship, mobilisation, large armies, navies and war.

X

There are certain foundations of industry in Europe that, no matter what the national or personal ownership or control may be, yet partake of the nature of public utilities in which other nations have a moral right. For instance, the discriminatory control of ships, railways, waterways, coal and iron in such a manner as to prevent the resumption of production by other States will inevitably debar economic recuperation and lead to local spats of economic chaos with its ultimate infection abroad, to say nothing of the decrease in productivity. These misuses are already too evident.

XI

The question of assistance from the Western hemisphere during a certain temporary period, and the devotion of its limited surplus productivity to Europe, is a matter of importance and one that requires statesmanlike handling

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and vision. It is but a minor question compared to those stated above, and it is in a great degree dependent upon the proper solution of the factors already touched upon.

It is a service that the Western hemisphere must approach with a high sense of human duty and sympathy. This sense will, however, be best performed by the insistence that its aid would not be forthcoming to any country that did not resolutely set in order its internal financial and political situations, that did not devote itself to the increase of productivity, that did not curtail consumption of luxuries and the expenditure upon armaments, and did not cease hostilities, and did not treat its neighbours fairly.

If these conditions were complied with, it is the duty of the West to put forth every possible effort to tide Europe over this period of temporary economic difficulties. Without the fulfilment of these conditions, the effort is hopeless.

With Europe turned towards peace, with her skill and labour aligned to overcome the terrible accumulation of difficulty, the economic burden upon the West should not last over a year, and can be carried, and will be repaid. To effect these results the resources of the Western hemisphere and of Europe must be mobilised.

HERBERT HOOVER.

July 3, 1919.

CONSTITUTIONAL REFORM IN INDIA

AMID the dramatic surprises which India has experienced during the last few months—a war with Afghanistan and a serious rising within its own borders—nothing has been allowed to interfere with the steady progress of the scheme for its constitutional advance. In India the Viceroy and his colleagues have been busy in developing the Montagu-Chelmsford report into a project of practical administration, which they have described in a series of weighty dispatches recently published. At this end the necessary legislation has been introduced in Parliament; and after an unopposed second reading in the House of Commons, the Bill was referred to a joint committee of both Houses, which is now engaged in hearing evidence, notably from a number of delegations representing the different shades of political opinion in India. It appears within reasonable probability that the Bill will pass in the coming autumn session, allowing the Government of India to get to work on the mass of subsidiary legislation which must be framed in that country in time to inaugurate the new constitution in April, 1921. Ardent spirits may wish that the policy announced by His Majesty's Government two years ago could have borne earlier fruit; but the practical politician must recognise that circumspection is hardly less important than speed in a task of such magnitude.

While the solid work of preparation has been moving steadily forward, there has been a running commentary of criticism, protestation and further demands. In a speech

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before his legislative council the Viceroy held language indicating that the scheme promulgated by himself and Mr. Montagu went as far, by way of a first step in political progress, as he personally was prepared to see. The immediate retort was a declaration from the Indian leaders that the scheme was for them an "irreducible minimum," and that they must have more. Their courage grew when Mr. Montagu, in the course of the debate on the second reading, told the House of Commons that "you dare not and ought not to do less than we propose in this Bill"; and the demands of the moderate party are now focussing on the introduction of popular control into the central as well as the provincial sphere. The more advanced party will have nothing to do with experiment or caution. With them it must be home rule or nothing; full responsible government at once, or in five years, or ten, or whatever period their oratory can screw out of an uncritical British public. Meanwhile the Government of India are being trounced for attenuating the original scheme in their detailed proposals; every alteration they have advised is described as a reactionary detraction from the generosity which the Montagu-Chelmsford report had promised. The official spokesman of the Indian Government before the joint committee has categorically denied any intention of whittling down the scheme; and it is only those who profess to regard the report, despite the clear statement of both its authors, as a declaration of policy by His Majesty's Government who can quarrel with its conversion into a workable business proposition. Nor has the parliamentary committee itself escaped the facile critic. It is attacked in two opposite directions with equal ineptitude. Certain Anglo-Indian organs assail it as a packed jury of Mr. Montagu's supporters; the extremist press denounces it as conservative and hostile to the movement for reform. To this petulance the best answer is the courteous reception by the committee of every statement that has been put before it, and its obvious determination to hear every side

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of the question. Lord Selborne presides with marked dignity and fairness over a tribunal which is worthy of the greatness of its labours.

Those labours are not rendered easier by the peculiar form of the legislation on which judgment has to be framed. In drafting the legal basis for the new constitution, two courses were open. One would have been to repeal the archaic law (consolidated but not amended in 1915) which set up the present system of government in India when it was taken over by the Crown from the East India Company and to replace it by a full charter for the new regime. There were obvious advantages in such a course; but on the other hand it is not easy to legislate for a movement by uncertain stages towards a probably distant goal. Parliamentary exigencies were also against what might have been a long and highly controversial measure; and the Cabinet had to fall back on something less ambitious. The other course, which they adopted, was a short amending Bill, which is content to knock sufficient holes in the structure of official government to admit the new principle of popular control. All details of administrative machinery are left to rules which will be laid before Parliament, or to the growth of precedent and practice. The joint committee may thus find itself in a dilemma, foreshadowed indeed in Mr. Montagu's speech on the second reading. It may consider that matters have been relegated to rules which are of such importance that it must insist on their being embodied in the substantive law. Or it may be unable to advise Parliament on the Bill without at the same time stipulating for rules of a particular type, and thus prejudging the work of the rule-making authorities. In either event the committee will wish to see the rules that are proposed, or at least a full description of them, before it can visualise the system which is to be set up under the Bill, and judge of its propriety. On much of this subsidiary legislation there will be little time to consult competent authority in India.

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Fortunately the essentials are few on which a clear-cut decision at this stage is imperative. The head and front of the whole system is the dual machinery for the future government of the Indian province. Pursued by suspicion as a dangerous novelty, saddled with a nickname which was invented to condemn it, and imperfectly understood by those who have not studied the documents, the theory of dual administration has had to run the gauntlet of much severe criticism. True, its most trenchant critics, and the readiest with impracticable alternatives, are those who, while rendering lip-service to reforms, in their hearts are hostile to change. Nevertheless it is only honest to admit that all our political experience calls out for a united government if possible, a cabinet system of the type which England has bequeathed to the Dominions; and it will be the heavy responsibility of the joint committee to judge between this natural predilection and the requirements of the unique situation in India. Readers of *THE ROUND TABLE* will be familiar with the proposal which was developed in the Montagu-Chelmsford report and is now embodied in the Bill. In brief it is this. In each province the government will in future consist of two sections; on the one hand, the Governor with his official colleagues in executive council; on the other, the Governor with ministers drawn from the legislative assembly. To the former will be reserved the administration of the heavier and more technical duties of the State, such as the magistracy and police, the land revenue and irrigation, universities, forests, industries, harbours, etc., with the final responsibility for maintaining law and order. To the latter will be transferred the remaining duties, such as the control of local bodies, primary education, sanitation, excise, agriculture, roads and bridges, etc. The Governor will be the link between the two sections of his government, and it will be his task to inspire them, by personal suasion and joint deliberation, with a common purpose and a harmonious policy. Each section, however, will be fully

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responsible within its own sphere. It will issue its own orders in its own name, and be accountable for the results. Ten years hence a parliamentary commission will go out to India and advise on the success of the experiment. If its report is favourable, further subjects will be transferred to ministers ; and so the process will go on until full responsible government is established, the official half of the administration disappears, and the transitional device of dualism is absorbed in a unified popular administration.

Such is the polity, nicknamed "dyarchy," which is contemplated in the Bill. It is warmly defended by the Government of India on abstract as well as practical grounds, it was blessed by so high an authority as Mr. H. A. L. Fisher in the House of Commons, and it seems to be accepted by moderate Indian opinion. Is there any other and better solution ? The essence of the problem is of course the absence of any analogy to the party system in the Indian province ; for the official government must remain in effective power while the popular assembly is finding its feet and ministers are learning their work. Add to this the consideration that the popular side of the government will have to be judged by the record of its own deeds as to its capacity for further power ; and the conditions of the problem seem to leave no outlet but dualism. A rival scheme, put forward by a group of provincial administrators, has attracted some attention. Under it, the Governor would have a single executive council, composed one half of officials and one half of ministers drawn from the popular assembly ; policy would be joint and responsibility would be shared. The scheme claims credit for following the traditional lines of a united cabinet ; but clearly the resemblance is purely superficial. What is pictured is a provincial government which would not be fully responsible either to the British Parliament or to its own local legislature. Each half would be accountable to its own master ; and when their duties clash—as in time clash they must—how would they pursue a common

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policy ? how would they present a united front ? or how could they hold together for a day ? Under a dual system there will equally be differences of opinion and ideals ; but in the end each half will follow its own course in its own field of duty, and will answer for the consequences. The unified executive must end in deadlock and a violent recasting of the system. The dual executive may be awkward and uncomfortable at first, but it contains the material for steady and measured progress. Much will depend upon the Governor's personality and his capacity for handling the somewhat uneven team. But public life in England and the public services in India are not bankrupt of men who can make the task a success. They will need the missionary spirit and a keen belief in the future.

In a wise interpretation of the dual system, two conditions are inherent. One is that each section of the government shall be left, without undue interference, to do its own work in its own way. The other is that the system must not be allowed to prejudice the welfare and happiness of the governed. The first of these takes us on to some of the most controversial ground which the joint committee will have to traverse. To the plain man it seems an elementary proposition that, if each half of the government is to be held to account for its own work, it must control its own finances, and it must have its own legislative organ on which it can rely for supply and the laws essential to its administration. Yet it is precisely these propositions which in substance are hotly contested by the Indian leaders ; and the point is so crucial that no apology is offered for dwelling upon it at some length. Anxious to round off the sharpest corners of dualism, the authors of the original scheme had consented to a single legislative chamber in the province ; to this body each half of the government would have recourse for its laws. They had also contemplated a single exchequer. But for the official section of the government they provided, first, that laws affecting reserved subjects might, on a

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certificate by the Governor, be passed by a special or grand committee of the legislature ; and second, that the claims of reserved subjects on the exchequer would have priority over those of transferred subjects, though ministers would alone be empowered to raise fresh taxation. For success this plan is clearly dependent on two assumptions : first, that ministers will always be willing to subordinate their financial needs to those of the official half of the government ; and second, that the grand committee is so constituted as to ensure its acceptance of official measures. The former assumption stands self-condemned ; the latter is defeated *in limine* by a proposal in the report that in grand committee officials shall be in a minority of one-third. The Government of India have not unnaturally taken alarm at the prospect of an executive council entrusted with the most delicate and essential duties of the administration, and yet unable to pass its own budget or to make its own laws. They have accordingly put forward proposals for greater security in both respects, and it is those proposals which the Indian leaders pillory as retrograde and hostile to the spirit of the scheme.

There is no finesse in the situation. Ministers are being given full control over the transferred field of administration, subject only to the guidance of the Governor and the advice of his official colleagues. But the politicians are not content with this. They demand, and say they have been promised, more. Their claim is that no taxation shall be raised except by and with the approval of ministers ; that they shall have, through the legislative assembly, power to refuse supply to the other half of the government ; and that the official element in the grand committee shall not be so strengthened as to afford any guarantee that that body will pass an unpopular measure, however necessary for the peace and order of the province. Furthermore, they make no secret of their belief that any exceptional powers with which the Governor will be armed for securing legislation or supply will meet with such fierce

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opposition that in practice they will rarely or never be exercised. Stripped of all verbiage, then, the issue is simple. It is claimed for ministers that they shall not only direct their own departments, but also control, through the power of the purse and the power of legislation, the departments reserved for the Governor in his executive council. Is this claim to be conceded ?

In their dispatch of March 5th the Government of India make their position clear. Whatever may have been said in the report, or whatever may have been read into it, they reject the claim as now stated. The keynote of the new constitution is a division of functions with a view to training and testing the popular government by their management of the functions entrusted to their charge. It can be no part of the training, and it can afford no test of their capacity, to give them indirect control over those functions which are not theirs and for which they have no responsibility ; on the other hand, it may seriously impede the freedom and efficiency of that section of the government which is accountable for the proper discharge of those functions. The executive council cannot serve both the British Parliament and its own local legislature. If it is forced to try, then dualism becomes a vain disguise, and the whole structure must fall. Admittedly, with the introduction of the popular and elective element into the government, there will be a great widening of the influence of popular sentiment over the old executive machinery. Methods of sheer efficiency will be mellowed and humanised, ideals of the West will be transmuted in at least their outward form ; we shall find ourselves respecting prejudices which we had previously ignored. All this is inevitable, whether we like it or not. It may, indeed, be a desirable part of the process by which the reserved functions of the State are prepared for ultimate transfer. But it is a process which we shall have to guide and measure, and it is an entirely different matter from the paralysis of our work which would ensue from giving ministers

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indirect control over it, power without responsibility. Indeed, our adhesion to the cardinal virtues of British rule may hinge upon the success with which we resist all insidious attempts to convert influence into control. This in effect is the argument of the Government of India, and it is an argument not easy to gainsay. If it is accepted by the joint committee, definite provisions for financial powers and for legislative powers, either by a strengthening of the grand committee or by some less cumbersome method, will presumably be inserted in the Bill, for they are of far too vital moment to be left to the mercy of regulations.

The second condition of the success of dualism is that it must not be unduly burdensome on the people. To guard against this will be the special care of the Governor ; but in practice the duty will fall largely upon the public services, and more particularly on the district officer. He has long stood between the people and their many official masters, and he will have to fill that rôle in future with even greater sympathy and self-effacement. It is not suggested that ministers will not be alive to the needs and wishes of their own people. Of course they will ; though the conflict of religions and urban ignorance of rural interests will not always make for disinterestedness. But that is not the question. Blunders, due to inexperience or otherwise, must be expected during the period of transition and training ; and administrative blunders must react upon the people, and cannot yet be corrected by the vote. It will be the duty of the public services to mitigate as far as possible the consequences of such mistakes. There is thus for this, if for no other, reason the strongest case for special consideration to public servants of all ranks. Their position at the moment is one of some apprehension. They feel that the foundations of their work are being shaken. They distrust the professional politician, and he returns the compliment with interest. The civil servant has been attacked with virulence by the

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Indian agitator, and has in some cases been stung into protest. Meanwhile he is suffering from the growing cost of living, already high enough in a climate which tries the Englishman severely and is often dangerous to his family. All will come right if ministers give the public service their confidence and gain its confidence in return. But until they shake down into each others' ways, the public services should be secured in their existing privileges and guaranteed protection in the legitimate discharge of their duties.

Of dualism and its problems enough has been said to emphasise the gravity of the questions involved. But when those have been settled for the provincial governments, the joint committee will be faced by demands for a wide admission of the popular principle into the central government. The Bill provides for a bicameral system of legislature at Delhi, and abolishes the statutory maximum of eight, and most of the statutory qualifications, for the Viceroy's executive council, with a view no doubt to the larger appointment of Indian members. It is now being urged by the Indian delegations that all this is insufficient. They want an executive council of half Indians and half Europeans; at least one minister drawn from the legislature to take charge of certain revenue departments (salt and income-tax are mentioned, with railways in the background); parliamentary under-secretaries, and standing committees of the legislature attached to the official portfolios. There is a wise maxim in science that an experiment should not be complicated by any avoidable new factor besides those of which the effect is being tested. The democratic experiment in India will have ample play in the provinces for years to come; and its extension into the central sphere may well be deferred. The authors of the report adopted it as an axiom that the Government of India's "authority in essential matters must remain indisputable, pending experience of the effect of the changes now to be introduced in the provinces."

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Opinions differ as to whether this principle is not violated by the Bill ; it would be torn to shreds by the further changes which are now being urged. For it is notorious that the Viceroy's council is already large enough, if not too large, for the prompt and firm handling of its business ; to increase its membership will not mend matters. Leakage of official secrets is a constant concern at present ; nothing can prevent it when irresponsible standing committees have a right to intervene in departmental business. The work of the executive is seriously impeded during the legislative sessions ; it will be worse than impeded when the Government has to pilot all its measures through two chambers, in one of which it is permanently in a crushing minority. In all these ways the solidarity of the central government will be undermined, and its authority weakened. And this is to happen precisely at the time when it will be weighted with the heavy burden of watching and guiding the new developments in internal politics ; when its external relations and military commitments are increasing in complexity ; and when it will have to reorganise the industries of the country and handle the growing demand for fiscal autonomy and a tariff wall. It is such considerations that the joint committee will doubtless balance against the demand for multifarious changes in the Government of India.

It is a long and difficult furrow that has to be ploughed before Parliament can dispose of the Bill on which Lord Selborne's committee are now engaged. But there is no turning back. Honour leads us onward, the spirit of the time forbids retreat. Misgivings there are, even among those who are most friendly to Indian aspirations. The extremists maintain their intransigent pose, and reject all efforts of conciliation. The moderates are grasping, yet timorous ; and their attitude during recent events, and particularly towards the legislation against anarchical crime, has disappointed their friends in England. All over India the cry has been raised with hysterical iteration

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that reform—or at least the hope of its harmonious inauguration—is dead because martial law had to be enforced in a few districts in the Punjab. We scan the horizon for the political sagacity which the new experiment postulates, and we find few traces of it. Even more discouraging is the apathy with which these stirrings of constitutional change are regarded by most of the elements in Indian society except the small political groups which have taken command; the landed and moneyed classes have hardly been in evidence at all before the joint committee, and the vast inland province of Agra and Oudh was represented by a Madras journalist. There is indeed colour for the monition, so often uttered in Anglo-Indian circles, that India is not yet ripe for the democratic idea, and that we are forcing it upon her at the bidding of a microscopic minority of her people. The whole atmosphere too is bad at the moment; for the long campaign of discontent and race hatred, to which we tried to turn a deaf ear, has culminated in the riots at Amritsar and Ahmedabad, and left a train of bitterness and distrust which is not for the common good.

It is, however, with a higher courage and a larger hope that we must face the future. Political sagacity is a blade that is only tempered by use, and political apathy is the inevitable outcome of the long years of our sheltered rule. To sharpen the one and dispel the other we must initiate a healthy political life and give the people an opportunity of shaping their own political ends. Delay will serve no purpose, and only add to the difficulties of the situation. There is every reason for pushing forward with the work to which we have set our hand. The sooner we give responsibility to the people and real power to their leaders the sooner will interest awake, and the stable elements of society assume their proper place in public life, and the irreconcilables be rendered harmless by the obloquy of their own people. If these hopes are fulfilled; if the landlord and the merchant and the man of leisure come into the new

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councils and claim to share their work with the lawyer and the journalist; if experience and public spirit are assessed at their true value; if the social fetters of Hinduism slowly relax; and if communal differences begin to yield to reasonable compromise: then the democratic experiment will succeed. If, on the other hand, our rule is merely replaced by an oligarchy, brahman or otherwise; if Hindus and Mahommedans continue entrenched behind their separate electoral privileges; if there is no real effort to maintain our standards in the transferred departments: then the experiment will have failed. But it is not going to fail. Under all the extravagances of the hour, the true spirit of nationalism is moving. Its steps are still uncertain and it may carry India into regions very far from our calculations, for her political development will ultimately emerge on lines widely different from those we should have chosen. But it is a live and growing force; and unless we can turn the zeal of nationalism into channels of national service and into the stern practical work of achieving national ideals, it will in time consume us and all our well-meant safeguards.

All the while that the new spirit is growing, there will be an immense field of work for the British in India. There can be no greater error than to imagine that our responsibilities will diminish with the dawn of free institutions; they will only enter upon a new and a deeper phase. Lord Southborough's committee have proposed an electorate for the whole of India of just over 5,000,000, or somewhat under $2\frac{1}{2}$ per cent. of the population of the area affected; and even of these it will be only a small number who will ever, in their generation, use the vote or appreciate the power which it gives them. The education of the elector of the future is thus the prelude to real democracy; and the task is a gigantic one. Beside it stands the regeneration of the industrial and economic life of India. In neither field can we go far without the co-operation of the people and their leaders; but ours must be the initiative and the

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organising tenacity. It is for this reason that the Government of India desire to retain both industries and higher education for the present in the hands of the official section of the provincial governments. The work to be done is too heavy and urgent to be thrust upon ministers at the outset of their career, when they will have to face so much that is unfamiliar. But it is only part of the wider duty of making India safe for democracy. Towards that end all our administration since 1858 has surely been leading up; but the pace has suddenly grown faster and our methods must be correspondingly accelerated. During the next ten years, therefore, there will be more engrossing and more interesting work for us than at any previous period of our connection with India. Further ahead it is needless to look; for at the end of ten years Parliament will hold another great inquest, and its conclusions no man may forecast who has watched of late the rapidly changing East.

NATIONALISATION AS A REMEDY

I. PRELIMINARY CONSIDERATIONS

MAN is not by nature an industrial animal. Hard and continuous labour, whether physical or mental, is repellent to him. In his primitive state he is incapable of performing it. Everyone knows how savages and children dislike to work continuously at anything; and, in this matter, the difference between them and the adults of civilised races is only one of degree. In some parts of the world the training of generations has formed the habit of industry, but man is far from the state of the ant or the bee which works by instinct; and his industrial habits have only been formed and are still mainly sustained by the desire to satisfy individual and personal wants. Those who have studied the early industrial history of Europe, or the development of industrial life among the more primitive races to-day, know the difficulties which have surrounded it, arising out of the incapacity for steady work of men unaccustomed to it; and how that incapacity has only been gradually overcome, either by the pressure of absolute want or by the imperative desire to procure luxuries which have become necessities.

In the creation of industrial habits it is the wants of the individual and the family that have been the most effective stimulus. It is this which has spurred on mankind to overcome their natural tendency to play or to idle. Certainly nothing else for the mass of mankind, without distinction of class, would have been in the past, or is to-day, an equally

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effective stimulus. Generally speaking, from the captain of industry down to the unskilled labourer, men work hard and steadily, not because they like it, but because it is the only way in which they can get what they want. To say this as a statement of historical fact does not mean that we ought to ignore the existence of altruistic motives in industrial life, both as a factor already at work and as the best hope of the future. In industrial life, as in other fields of human action, it is the gradual permeation of activity by the altruistic spirit that constitutes improvement. As has often been pointed out in the pages of *THE ROUND TABLE*, without the inspiration of the idea of public service there can be no permanent solution of the industrial problem. But no one would contend that this spirit is yet sufficiently developed in mankind to stand by itself as the basis of industry, though it can perform wonders in times of crisis, as the history of the last five years testifies. The question summed up in the word "nationalisation" is now before the country as an immediate problem of industrial organisation and must be considered as a practical matter, on the basis of existing conditions.

II. PROFIT A CONDITION OF PROGRESS

THE material well-being of the modern world—its very capacity for supporting in moderate comfort the dense population which has grown up in it—depends on productive work being carried on steadily, not by a minority, but by the great majority of its inhabitants. But production evidently cannot continue unless it is at least sufficient to support its producers. But it must do more: it must supply a margin out of which increased production can be built up, if the material well-being of the world is to be improved. For, in most countries, the results of work in the way of consumable production are not immediate, but more or less distant; and, if the output of

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consumable products is to be augmented, an existing store, the surplus result of past work, must be drawn upon to support those engaged in the new production and to supply them with tools and material, until their own work gives results. A purely agricultural community may go on for generation after generation, reproducing itself and its means of subsistence without margin and without increase. But a community which is growing in numbers, or of which the material wants are increasing—and all modern progressive countries have one characteristic or the other, and generally both—must produce not only enough for its present day to day consumption, but a margin out of which an increasing production can be built. That is to say, it must produce at a profit. Many people to-day are inclined to think, speak and write of profit as if it were an evil in itself. Excessive profit, no doubt, may be actually a drawback in the long run to improved production, through leading to wasteful methods, and to general slackness, and at the same time to discontent among the producers, who quarrel about its distribution, which is generally unfair, and who in their capacity as consumers often have to pay for at least a part of it: just as too great a head of steam may hinder the effective running of machinery, or lead to dangerous explosions. But, without some steam, machinery will not run at all; and without some profit, production will not increase or even permanently continue, except production of the primitive type mentioned above. Profit, indeed, is the mainspring not only of the actual industrial system of the world, but of any conceivable system allowing for progress in material welfare. For any industrial system which showed no profit would be one of which the whole output just sufficed to support the current consumption of the producers and the upkeep of their machinery, and no more. Evidently such a system could not expand its productiveness, and consequently could neither support any increase of population nor allow of any improvement in the material well-being of that which already existed.

Unfairness in Making or Distribution of Profit

III. UNFAIRNESS IN THE MAKING OR DISTRIBUTION OF PROFIT

THE denunciation of profit (apart from excessive profit) is based largely on two grievances both of which have some foundation in fact. The first grievance is that under the modern industrial system profit is sometimes made unfairly at the expense of a certain part of the producers, generally those engaged in the least skilled forms of manual labour. That is to say, that too great a part of the output is allocated to profit, and too small a part to the support of the daily needs of the producers. This is expressed in another way by saying that an industry does not pay its producers or some of them a "living wage." The term may be a vague one and difficult to define in theory, but is perhaps not so hard to ascertain in practice. In any case this grievance, where it exists, is a serious one, and cannot continue for long without impairing production. For apart from any question of the actual deterioration of physical efficiency in producers who do not receive a "living wage," the prevalence among any class of producers of chronic discontent with the share which they obtain of the product must react injuriously on the whole organisation of production.

The second grievance is a less poignant one, but has also to be taken into account. It is this, that even where the output of production has been fairly charged in the first place with a living wage for all producers, the surplus is unfairly distributed and goes wholly or almost wholly to "owners" or "capitalists." It is claimed sometimes that this surplus should go wholly to the actual producers, or even to that part of them which is engaged in manual labour alone. Sometimes the claim is restricted to a division of the profit between "labour" and "capital."

The first claim, that all surplus should go to the "labour," and no share of it to the "capital" employed in production,

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is not only unreasonable but impossible. "Capital," in the sense of equipment, and of a fund for the support of the producers until they can get returns from their output, is obviously a necessary ingredient in production. It may be argued that the capital employed in an industry should belong to the producers as such : or that it should belong to the State ; but in either case a part of the current output would be allocated to it directly or indirectly. If the equipment of industry belonged to the producers, they might not nominally pay interest or dividends on it, just as a man who lives in his own house pays no rent. But this would only be because they owned it, and any charge for use would be a transfer from one pocket to the other.

If the equipment belonged to the State, and it charged the producers no rent or interest, it would nevertheless have to take a corresponding part of their output in the form of taxation. In either case the payment for the use of the equipment would be made under another form and would actually be a charge against the output.

Under the existing industrial system the capital of an industry—*i.e.*, the equipment and the working fund—generally belongs neither to the producers nor to the State, but to a different person or body of persons, who take the whole risk of loss and the whole reward of success in the way of surplus gain. It may well be questioned whether this is the best or the ultimate form of industrial organisation. Up to the present on the whole it has worked well, and those communities which have developed it furthest have unquestionably made the most progress, not only in national wealth but in individual welfare. The standard of personal comfort, for instance, is much higher in the United States, where this system has been highly developed, than in Russia, where it has not ; though the latter country exceeds the former both in population and in natural resources. It is, however, essential to the continuance of this, as of any other system of organisation, that it should continue to satisfy the great bulk of the individuals com-

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posing it. If they or a considerable part of them become chronically discontented, effort will be relaxed and production will suffer.

An argument which is frequently put forward in favour of the existing system, and which undoubtedly has been valid in the past, and may be so to a great extent at the present time, is that only by keeping the surplus product of industry concentrated in comparatively few hands will any large part of it be made available for increasing future production. It is said that if the profits of industry were to be divided at once among the body of producers, they would be dissipated at once by an increase in personal consumption. It may fairly be pointed out, on the other hand, that a considerable part of the surplus is so dissipated under the present system. In so far as the profits of industry go to support in idleness people who would otherwise be usefully employed, or to provide for the extravagant personal expenditure of a few individuals, they are no more useful to the world than if they were divided among those who produced them, even if the latter should dissipate them equally. Indeed, it is probably the sight of extravagance and idleness among the richer classes, particularly the newly enriched, which is mostly responsible for the feeling of unfairness in the distribution of profits which is so prevalent to-day. The argument that the surplus product of industry will only be used to increase production if it is divided as at present, loses much of its force when everyone can see that the present recipients use a great deal of it for quite different purposes.

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IV. NATIONALISATION AS A REMEDY

THE feeling against the present distribution of profit is mainly responsible for the demand for the nationalisation of special industries or of industry as a whole. This motive is avowed by the labour bodies which support the demand and which constitute the strongest force behind it. It is true that many of the theorists who advocate nationalisation lay more stress on another consideration, viz., the waste of the present competitive system and the alleged saving which would result from concentrating each industry under one management—*i.e.*, that of the State. But this argument probably does not weigh greatly with the labouring classes, whose experience is likely to give them an instinctive knowledge of its fallacy.

It may be admitted at once that the nationalisation of industry would do away with disputes about the distribution of profit, since all surplus would go to the State, and therefore no jealousy could be felt of any individual getting too large a share of it. But it is worth while to enquire whether it would not at the same time do away with profit itself, and in so doing destroy the mainspring of production.

The advocates of nationalisation argue that workpeople would work for the State at least as well as for a private employer, and indeed better, because they would not feel, as they feel at present, that they were making profits for an individual who had no right to them. The answer to this is that organised production depends not only on the manual workers, but on the whole hierarchy, more or less elaborate according to the particular industry, which directs and supervises and keeps them going. If a man did just as much or as little work as he felt inclined the only effective workers would be those who were working on their own

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account, and organised industry would be impossible. There is discipline in a factory just as in an army, though of a different kind. This is true of factories which are co-operatively, no less than of those which are privately, owned. The effectiveness of production depends not only on the soldiers of the industrial army but also on the non-commissioned officers and officers. If the former are chronically discontented or mutinous, production will no doubt become difficult or impossible ; but it will be no less injuriously affected if the latter do not perform their functions.

But, the advocates of nationalisation reply, we will admit the weakness of the State in this matter as against the individual private employer, who manages his factory in his own interest and may supervise and direct his workmen with an energy and zeal not to be expected from an official. But nowadays most large industrial undertakings do not belong to individual owners, but to Joint Stock Companies. They are controlled and managed from top to bottom by paid officials who may not own a single share in the company. Why should these men serve the State less faithfully or less efficiently than they serve a private corporation ? They have no interest in acquiring riches for a multitude of shareholders who are absolutely unknown to them. May they not be expected to feel more interest and to exercise more energy when the result of their work will go to benefit the community as a whole ?

The answer to this lies in the consideration pointed out above, that the mainspring of the present industrial system is profit : that it is this which keeps the system together, and the individuals above referred to working to a common end ; and that nationalisation will either kill this motive, or at any rate so deaden it as to make it practically non-operative. At present every employee of an industrial company, from the general manager downwards, is working to produce at a profit. The higher class of employees, at any rate, are directly conscious of

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this, and their knowledge not only governs their own work, but also, through them, the work of those whom they direct. The workman knows that if he does not pull his weight he will probably lose his job ; that if he wants to improve his position he must show himself able in some way to do rather better than the average from the point of view of earning profits for the concern. The foreman equally knows that if his department gives continuously bad results he will not keep his place ; and that if he wishes for a better one, the quickest way of getting it is to show himself able in some way to cheapen costs or to increase production. The manager knows that if he shows a loss on two years' working in succession his salary and reputation will be in danger. From top to bottom and from end to end of the organisation runs the knowledge that the industry is carried on for the purpose of making a profit, and that if this end is not achieved something unpleasant is likely to happen to every individual in the organisation. It is notorious that in cases where this factor is absent—*e.g.*, where an industrial establishment, or a farm, is run as a hobby—profits are very rarely made, and it is only the outside subsidy that keeps the concern alive.

But when an industry or a factory is owned and worked by the State, the incentive to produce at a profit practically disappears. It matters to no one vitally whether that particular concern makes a profit or not. The apparently bottomless purse of the public is always behind it. If a loss is made, even in a private concern, it is generally easy to find good excuses for it. But in a private concern excuses do not "go" for any length of time. In a State-owned concern there is nothing to prevent their going on for ever until a general condition of bankruptcy becomes apparent. And then matters may be too bad to mend.

It is in its effect on the officers of industry rather than on the rank and file that the danger of nationalisation lies. They are made of the same clay as other men ; it is no

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pleasure to them either to work hard themselves or to compel others to do so ; and when the constant stimulus is removed, which lies in the necessity to produce at a profit and in nothing else, reason and present experience alike indicate that effort will be relaxed, and supervision slackened. When the manager of a factory is no longer under the necessity of working with one eye always on his cost sheet ; when that sheet is no longer the register by which, in his own opinion and the opinion of those over him, his success or failure will, broadly speaking, be judged : the time is not far off when profit will disappear, and with it the possibility of progress in industry.

The argument of the above paragraphs will be misunderstood unless the reader clears his mind of the prejudice associated with the word "profit." That prejudice is really concerned with the distribution of profit, not with the making of it. In this article "profit" means the surplus in the production of industry over and above its cost. Such a surplus must be made if production is to continue and increase, whether the "ownership of the means of production" rests in the hands of "capitalists," as under the present industrial system ; or of the "workers," as under a co-operative system ; or of the State. But whereas under the existing system the necessity of making a surplus is kept constantly before the mind of everyone concerned—it might be so under a co-operative system—it is certain it never could be so under a system of State ownership.

V. OTHER ASPECTS OF NATIONALISATION

EVERYBODY who has had much to do with the financial side of the present industrial system knows how overwhelming a case it is possible to make out on paper for the advantage of amalgamation and concentration in almost any industry. They also know how small a part

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of that advantage ever seems to be realised by amalgamation when it does take place. On paper, concerns like the United States Steel Corporation, or the International Harvester Company, should be able to drive all competitors from the field. In actual practice they have not only been unable to drive out many of their smaller rivals which continue to compete with them successfully, but have not even prevented the successful establishment of new concerns in the same line of business. And this in spite of enormous resources, of exceptional control of men and material, and of their having the same incentive as their rivals in the way of private gain. Since the saving to be made, and the consequent advantage to be gained, by the elimination of waste in competition and by working on a huge scale, are not to be questioned, it must be concluded that to off-set this advantage there is some compensating factor at work which is more unfavourable to the large concern. This may probably be found in the fact that the force of the stimulus which lies in profit becomes weakened when a business is on so huge a scale that its losses do not react on it immediately.

Allusion has been made above to the theory which is put forward as an argument for nationalisation, that it will eliminate the waste of private competition. But, if the mere weakening of the stimulus which lies in the necessity to make profits counter-balances all or nearly all the advantages of combination, can it be expected that its complete removal, which will follow on nationalisation, would be less than disastrous?

It may be said that there are some services which are even now run by the State, and others which are run by municipalities, and that in these the profit-earning motive is absent, and that therefore this motive cannot be indispensable. The answer to this is that such services are in the nature of monopolies and are therefore in a position to make up any deficiency by increasing their scale of charges. Any community can run a certain number of

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its public services or even of its industries without regard to cost or to profit, by distributing the burden among the others, which take up the loss, either by paying unnecessarily high charges or by paying taxes to meet the deficit. But plainly this system cannot be extended to the whole of the industries of a community, and every extension of it makes the burden greater.

As regards State-owned services all the evidence tends to indicate that they could be performed much more cheaply to the users by private enterprise. This is not true to the same extent of municipally owned services, but in these the profit-earning stimulus does not disappear to anything like the same extent, since the community concerned is far smaller, and in consequence a loss reacts much more quickly on those interested.

Another argument in favour of nationalisation has been brought forward recently by pointing to the number of industrial enterprises which the Government took over during the war. In many cases the management of these was put in the hands of industrial leaders who volunteered their services. Why, it is asked, should not men of this type continue to work for the State instead of for their own advantage or for that of shareholders? It must be remembered that these men came to their work with acquired habits, gained under the stress of competition and the necessity of producing at a profit. It must also be remembered that they were working under the impulse of patriotism produced by a war in which everyone was anxious to do his utmost and therefore maintained his activity at an abnormal point. Yet in spite of that, it is evident that in many cases they spent the Government money in a way in which they would hardly have spent their own. And some of them have been known to admit that on their return to business life they shocked their associates by the loose way they had acquired of looking at questions of working cost.

It may be said safely that the point of view of any man

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who has been managing a private company for five years will differ very widely from that of the same man after he has been managing the same concern for the State for the same length of time. In the first case the question of profit or loss will have been his paramount consideration, his test of success or failure, and his study by day and by night. In the second case he will have learnt to look to a quite different set of considerations as paramount, and profit or loss in running the industry will take a quite secondary place. It would be unnatural to expect any other result than higher costs in production and decreased output, in the latter case as compared with the former.

Most important of all in its effect on the point of view not only of the management of industry, but of the whole body of workers, would be the disappearance of competition. Competition is excluded if the State manages industry. In the past competition has been made a fetish, and to-day its repute suffers from the reaction. But it is one of the strongest elements in efficient production, and material welfare would certainly suffer from its elimination.

VI. DEMOCRATISATION OF INDUSTRY

NOTHING has been said so far in this article about the demand of the workers for a share in the management of industry. Important as that question is, it lies outside the scope of this article, which is intended to deal with the economic aspect of nationalisation. Anything which involves the content or discontent of the industrial workers is of course germane to the economic side of industry. But in so far as that content or discontent depends on getting a share in the management, it would not be affected by the substitution of the State for the individual owner. As a voter a workman would have an infinitesimal voice in the control of all State-owned

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industries, but he would have no greater control over the particular factory, or even the particular industry in which he was employed, than over all other factories and industries. This is not what is demanded by those who demand a voice for the manual workers in the management. That problem is not solved by public ownership and will have to be discussed separately. Here it need only be said that, if it should be desirable to change the present system of industrial management in the direction demanded, the change might be quite as easily grafted on to a system of private as of State ownership.

✓ SWITZERLAND AND THE NEUTRAL STANDPOINT

I. THE SWISS AND THE WAR

IT may be doubted whether the Peace of Versailles has anywhere been the subject of such widespread public discussion as in Switzerland. Situated as the Swiss are in the heart of Europe, a neutral barrier between the territories of four Great Powers; comprehending within one nation people of three races and three disparate types of civilisation; reared in the tradition and the practice of democracy, it is not to be wondered at that they should have felt a direct and intimate concern in the details of this settlement, or that they should have expressed their views openly and freely from the platform, in books and pamphlets, and through the Press. On many grounds those views merit our attention. We still speak in England of the affairs of the European continent as "foreign affairs," and in our use of the phrase there still lurks the suggestion that what is foreign is not only unfamiliar but of secondary importance. Questions such as the future government of the Saar basin, the allegiance of certain districts of the Tyrol, the treatment of the German population of Bohemia, are to the mass of Englishmen academic questions, to which only a powerful effort of the imagination can lend a living and a human interest. In the formation of opinion in Switzerland on points such as these direct knowledge plays an important part, and knowledge is on the whole a more reliable ancillary to first principles than imagination.

Moreover, the Swiss were both nearer the war and further removed from it than we were. Nearer to it in

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the sense that as neutrals they were in continuous, though restricted, personal and commercial intercourse with both groups of belligerents. They were able to survey the disastrous career of the Central Powers without the intervening obstacles of a system of trenches or a prison wall. They were further removed from the war because their men were not being killed and maimed, their ships sunk, their cities bombed. This very immunity has made it difficult for them to appreciate the real strength of the bitterness which the Germans have instilled into the hearts of their enemies, or the depth of sincerity of the demand for retribution; but it has also left them free, while recognising and condemning cruelty and inhumanity, to distinguish a nation from its government and one individual in a nation from another. Such distinctions are essential if we are to build for the future rather than dwell in the past; and the real value of Swiss criticism of the peace terms lies in the instinctive determination of the Swiss people to keep their gaze bent on the future of Europe.

The Swiss view of the peace follows naturally from the Swiss attitude during the war. It is a common error to suppose that national sympathies followed the lines of racial division, that French Switzerland was pro-French and German Switzerland pro-German. The people of the French cantons are bound by ties of sincere affection, of a common language and literature, of a joint heritage of French culture, to the great nation on their borders; but it was something more than these, it was a passionate devotion to right principles, which led them to proclaim throughout the war their faith in the Allied cause. It was no more than fitting that the compatriots of Rousseau should have denounced the doctrine that might is right or should have protested against barbaric savagery in the practice of war. If in the German cantons sympathy with the Allies was less openly manifested and if signs of German influence were at times and in places conspicuous, the mass of the population was far removed from being pro-German.

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Living on the frontier of Germany, in the very track of aggression, knowing that their immunity from attack hung on the decision of an unscrupulous and unfriendly general staff, the German Swiss were driven to practise restraint in the expression of their views. A large German population in their midst and the existence by the side of their responsible Press of innumerable small local newspapers, products of paste and scissors, exposed them to all the pernicious influence of German propaganda. But in the mass they were preserved from infection by a jealous regard for their national independence and a profound hatred of Prussian militarism and all its works. Certainly if the test of a pro-German is that he hoped the Germans would win the war, there were no pro-Germans anywhere among the Swiss. The real effect of the war on Swiss opinion has been to bring together men of different race and language and to make them better citizens of their own country. Many factors have contributed to this result—the need for unity to combat all unwholesome foreign influences and to overcome the economic difficulties caused by the war; the more intimate personal knowledge of each other derived from military service on the frontiers, when an Italian regiment from the Ticino guarded the crossings of the Rhine and German gunners from Schaffhausen defended the Simplon; the devotion to all those works of charity through which the Swiss people were able to regard it as their privilege to bind up the wounds of war and to hold aloft the torch of amity between nations. During the last five years the Swiss, whatever their race, language, or creed, have come to repeat with a new and vital sense of its meaning the vow which Schiller put into the mouth of their ancestors on the Rütli :—

Wir wollen sein ein einig Volk von Brüdern,
In keiner Not uns trennen und Gefahr.

We vow to be in unity a folk of brothers;
To let no need nor danger e'er divide us.

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II. THE SWISS AND THE PEACE TREATY

IT is in keeping with all the traditions of their history and with this immediate background that the Swiss should have judged the peace treaty from the point of view of the two things which they desire most—peace amongst the nations and the maintenance of their own neutrality. Swiss neutrality is bound up with the question of the adhesion of Switzerland to the League of Nations, to which we shall refer later in this article. Let us first indicate the views held in Switzerland as to the prospect of a durable European peace held out by this treaty. Much is no doubt uncertain. Only time can show whether the new republics of Poland and Czecho-Slovakia will be able to maintain stable government in the large areas assigned to them. The Swiss have had a long enough experience of democratic government to realise the immensity of the problem with which these new States are confronted and the shadow of uncertainty which their establishment, however just and inevitable, must throw over the future of Europe. It depends, however, in Swiss eyes mainly on the position held by Germany in the new Europe whether peace can be maintained. In the last resort nothing but a moral effort on the part of the German people themselves can re-establish their position. Does the treaty encourage them to make that effort? In its present form, no, is the practically unanimous answer given in Switzerland to this question. Particular provisions are criticised—some of them were referred to in the article on the Peace Treaty in the June number of *THE ROUND TABLE*. Amongst these are the arrangement in regard to the Saar basin; the lengthy military occupation of the left bank of the Rhine, which not merely draws an unnatural line through the industrial area of Germany but facilitates attempts to detach from their allegiance to the German Union the

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purely German population of the Rhine Provinces ; the disarmament of Germany with no more than a vague undertaking to consider the disarmament of the rest of the world ; the uncertainty as to the admission of Germany to any position of influence in the League of Nations. The cumulative effect of these and other provisions has been to give the impression in Switzerland (as, of course, in Germany) that the Allies had abandoned the fourteen points and the other statements of President Wilson on the basis of which the belligerents ceased hostilities. This impression is universal ; if anything it is deeper and criticism franker and more uncompromising in French than in German Switzerland. It is just because during the war Geneva and Lausanne took their stand on the incontrovertible justice of the Allied cause that they now take their stand on the spirit of President Wilson's pronouncements. Fearless champions of French civilisation against external aggression, they are its equally fearless champions against insidious attacks from within.

The Swiss point of view has nowhere been better expressed than in the *Journal de Genève*. In discussing the Allies' reply to the German counter-proposals, that paper pointed out that, if it was an attempt to bring the German people to accept the peace willingly as a just peace, the attempt was doomed to failure.

For the argument turns on two words which have no precise meaning because they have several. The first is the word "responsibility." The Germans admit that they are responsible for the war in the sense that they declared it. Many of them go further and recognise that the Imperial Government willed the war and provoked it deliberately with a view to conquest. But it would be difficult to find any German who would make this admission in so far as concerns himself personally.

The writer continues by quoting President Wilson's message to Congress of December 4, 1917, to show that the President had not always spoken in the same terms of

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the responsibility of the individual German. He then passes to the second ambiguous word, "justice."

In the same speech (he writes) of December 4, 1917, President Wilson said:—"It is impossible to apply any standard of justice so long as such forces are unchecked and undefeated as the present masters of Germany command. Not until that has been done can right be set up as arbiter and peacemaker among the nations. But when that has been done—as, God willing, it assuredly will be—we shall at last be free to do an unprecedented thing, and this is the time to avow our purpose to do it. We shall be free to base peace on generosity and justice, to the exclusion of selfish claims to advantage, even on the part of the victors." Is that the basis of the peace proposed to-day to the German people? It would be difficult to maintain that it is. Mr. Wilson's justice is no doubt justice. But it is no longer impartial and absolute justice, it is retributive justice. It is no longer a justice on which the future is to be built up, but it is moral reparation for the past.

Again, in an article on the signature of the treaty, the *Journal de Genève* wrote:—

This peace is not that for which we had been led to hope. It removes old dangers, only to create new ones. Alsace-Lorraine is no longer German, but Dantzic is now Polish; irredentism has moved its camp. In 1914 Germany believed in force because she possessed it. Vanquished she was ready to believe in justice. But bent under a peace which seems to break promises given and which she will never accept willingly in her heart, she may again aspire to force. It is the great misfortune of this treaty that it has dried up the moral springs of victory and changed the course of the German revolution. Germany has no right to complain. She provoked the war and she has lost it. She is treated according to her own principles. But the disillusionment is universal. . . . But beside these defects, which are patent, this treaty contains an idea, a great idea, which may turn the world into new channels and in virtue of which much in the treaty will be forgiven. When history has done her irresistible work of rectification, when territorial arrangements and economic privileges have passed and been forgotten, the Peace of Versailles will remain as the first treaty which provided for the disarmament of a great country and which instituted a League of Nations. Disarmament will only be effective if it is reciprocal and if it spreads gradually over all Europe. If it remains confined to Germany, Germany alone will benefit by it. But it will extend, of that we can rest assured, if only through the

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power of a fruitful idea. The League of Nations will only be effective if it develops. As it has been constituted at Versailles, encumbered with obsolete notions of national sovereignty, with diplomatic customs, selfish reservations, paralysed by the obstruction of the American Senate and the scepticism of the Governments of Europe, burdened with exclusions dictated by hatred, the League of Nations is a promise rather than a reality. None the less it is the best part of this enormous treaty. . . . Let us cry, then, with all the nations at length delivered, "Vive la Paix"—but in the knowledge that this peace will be what we make it, with the necessary collaboration of all men.

III. THE SWISS AND THE LEAGUE OF NATIONS

IT is in this spirit that Switzerland is looking ahead to the completion through the League of Nations of the work begun at Versailles. What part can Switzerland take in the great tasks of the future? Will she adhere to the League of Nations? Can she do so without abandoning her secular neutrality and without compromising her own security? These are the questions which every Swiss citizen is now considering. The Federal Parliament is summoned to meet in September to hear the report of the Government, and the final decision will then be taken through a referendum. The real issue, which is a comparatively simple one, has been obscured through the manner in which the Covenant of the League came into being. The Covenant being an integral part of the Peace Treaty, its provisions were settled solely by the belligerents on the Allied side in the late war. This procedure may have been necessary to secure the adoption of any Covenant at all, but one of its results was to place States such as Switzerland, which were not belligerents, in the position of having to decide within a short period whether they would adhere to a document in the drafting of which they had had no part. As one Swiss writer has put it: "We have nothing but the bare text of the document. We might pursue the initiated and enquire how this provision or that came into its place: what interests it is intended

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to safeguard; or further, by what wind this paragraph or that was blown in. We might go to Haiti or Hedjaz and beg for any information they felt disposed to give us. We might even resort to still darker original members, say in Liberia, and seek light on our affairs in Europe. But there is nothing on which we can rely except the pure word of the text."

Switzerland has perhaps special reason to feel aggrieved that the extremely democratic principle of the brotherhood of man and the solidarity of nations should be enshrined in an instrument born in the atmosphere of autocracy. A year ago, when all the world thought the Covenant of the League and the Peace Treaty would be two separate documents, the Swiss Government and its experts set to work to draft a covenant for the League. This draft is on record and it has many interesting features. Some of these go further, no doubt, than anyone would have been prepared to go in Paris; but the fact that this draft was in existence and could not, as the business was ultimately conducted, be presented and defended by its authors as members of the League of Nations Commission has helped to foster the impression in Switzerland that the Allies looked on the League as a close corporation of their own. That the impression is unfounded does not diminish the difficulty of removing it.

There are many questions on which the Swiss citizen called on to vote for or against adhesion is asking for light. He sees that he is invited to join what is in effect the body of the Allied and Associated Powers. What sacrifice of neutrality does that involve? He sees that two of his neighbours, Germany and Austria, are temporarily excluded. How long is this exclusion likely to last, and in particular what are the prospects of Germany's admission to the Council, plainly the controlling body of the League, as long as any one of eight of her late enemies can block her admission? If Switzerland adheres to the League, what opportunity will she have of furthering its development

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into a real society of all civilised nations? In the event of war—and the Covenant appears to countenance war in certain circumstances—in what way will the position of Switzerland differ from that which she has occupied in all previous wars? At the root of all these questions is the desire to know the effect of adhesion to the League on the doctrine of Swiss neutrality.

It is difficult to exaggerate the stress laid by the Swiss people on the maintenance of their neutrality. Swiss neutrality is *sui generis*, the bulwark of Swiss policy at home and abroad. Switzerland has repeatedly declared her desire to be permanently neutral and to live in peace with all the world. This declaration was accepted by the Great Powers at Paris in 1815, and they undertook to respect it. They went further, and put on record the opinion that "the neutrality and inviolability of Switzerland and her independence of all foreign influences is in the true political interest of all Europe." The maintenance of neutrality has alone made possible the free development within one national State of people of different race, language and creed. It has enabled Switzerland in time of war to perform services infinitely more valuable to mankind than any she could have rendered as a combatant. It is not surprising that the Swiss approach any proposal to modify the basis of their perpetual neutrality with caution. How would adhesion to the League of Nations affect this question? In the first place, under Article 10 of the Covenant, all the members of the League would guarantee the territorial integrity and independence of Switzerland. Secondly, Article 21 declares that "international engagements, such as Arbitration Treaties and regional understandings, like the Monroe Doctrine, which aim at the preservation of peace are not incompatible with any of the provisions" of the Covenant. In Article 435 of the Peace Treaty the contracting parties renew the guarantees given to Switzerland at Paris in 1815, and declare that those guarantees fall within the meaning of Article 21

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of the League of Nations Covenant. Incidentally this adds a neighbour, Italy, to the number of those Powers which have undertaken to respect Swiss neutrality. The effect of all these provisions, read together with the rest of the Covenant, appears to be that in the event of what we may call a normal war—*i.e.*, a war between two Powers in a quarrel which the League of Nations has failed to compose—Switzerland would remain as at present entirely neutral; whereas in the event of an execution by the League against a recalcitrant member Switzerland would not be required to furnish troops or allow the troops of any member of the League to pass through her territory, but would be expected to take any economic measures against the recalcitrant State which the League might demand of its members.

It has been objected to this in certain quarters of Switzerland that it would involve the abandonment of that "economic neutrality" without which in the present war Switzerland could hardly have maintained her national existence. The answer given to this objection by so competent an authority as Professor Nippold, of Berne, is that economic neutrality is not a legal conception at all; it was never guaranteed, and it can therefore not be abandoned. Moreover, no State could expect to remain a member of the League while maintaining economic relations with a country which the League had found it necessary to outlaw. An execution by the League is in no real sense a war, and conceptions derived from the age of wars by the rule must be radically modified to fit the new conditions.

There is every prospect that views such as these will prevail, and that the Swiss people will decide for adhesion to the League. The Federal Government has not yet spoken, though individual members of it, particularly M. Calonder, the able head of the political department, whose work for the improvement of international relations began long before the League of Nations was more than a name, have made no secret of their conviction that Switzerland should join the League. As befits the democratic

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traditions of the country, every possible step is being taken to place the facts before the electors, the ultimate court. There are misconceptions to be overcome, weaknesses in the constitution of the League to be explained. But when once it is made clear to the mass of the population, as it is already clear to many of them, that the ideal underlying the conception of the League, the solidarity of all nations, is one towards which the Swiss through all their history have moved, in their own country and as a member of the European family, the final issue can hardly be in doubt.

If Switzerland joins the League, M. Calonder has already declared that she will work for alterations in the Covenant ; for the simplification of the terms on which new States can be admitted ; for the introduction of a compulsory conciliation and arbitration procedure, in order as far as possible to limit political influence on the settlement of disputes ; for the creation of a permanent international tribunal ; for safeguards against intervention in the domestic affairs of members ; for an amendment of the provisions governing the revision of the Covenant. On all these points Switzerland will, no doubt, make useful contributions to the stock of counsel. But her greatest value to the League will lie in her own living example, ever open to the observer, that the French and German national temperaments are not necessarily doomed to be for ever incompatible and that no difference of race, language or creed is an insuperable bar to a union of hearts.

NOTE.—Since this article was written, the Federal Council has published a long message to the Swiss Parliament strongly recommending adhesion to the League.

THE UNITED KINGDOM

I. THE INDUSTRIAL SITUATION

Recent Strikes

THE industrial situation remains unsettled. Private industry is adapting itself to the conditions of peace again; but industrial relations are bad, prices show no signs of falling, supplies are inadequate, and there are still no signs of a coherent Government policy. Strikes are symptomatic. The last year before the war—an exceptionally bad year—an average of 1,000,000 working days a month were lost through strikes and lock-outs; already in the first six months of 1919 nearly twelve million working days have been lost, and twice as many workpeople involved as in the whole of 1913. In April and May there was a lull in the strife, but in June the number of working days lost was close on four million, and July was equally disturbed. It will be worth while to glance at the circumstances of the more important disputes.

The strike in the cotton industry came at the end of prolonged negotiations. The operatives did not during the war secure advances comparable either with the cost of living or with advances in other trades. This disparity was removed in December last, when list prices were advanced 50 per cent., giving an advance on earnings of about two-thirds that ratio. Since then the cost of living has risen, other trades have secured advances, and there has been a general reduction of hours. In cotton there has

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been no reduction of hours for a generation. The operatives' claim, therefore, to a 44-hour week, with adjustment of piece rates to maintain earnings, was not abnormal. The employers offered to concede a $49\frac{1}{2}$ -hour week—a reduction of six hours—but would not consider any increase in rates; they argued that it was not likely that output would be maintained, and that foreign competition—the cotton industry exports a bigger proportion of its output than any other great industry—would not permit of any increase in working costs. Subsequent negotiations brought the parties nearer, the employers offering a 48-hour week and an advance of first 15 per cent. and then 25 per cent., the operatives reducing their claim to a $46\frac{1}{2}$ -hour week and a 30 per cent. advance. No further approximation proved possible, and a strike was declared, the whole industry coming out. Intervention by the Minister of Labour was ineffective, the Master Spinners refusing to attend a conference on the trivial ground that there was no reason to bring them to London when a conference could have been held in Manchester, and on the more substantial ground that the operatives' representatives were not plenipotentiaries empowered to conclude a settlement. The mediation of the Chairman of the Cotton Reconstruction Board (the Cotton Control Board under a new name) was more successful, and the dispute was compromised on the basis of a 48-hour week and 30 per cent. advance. Even then there was a delay in resuming work, the Operative Spinners at first refusing to be bound by the settlement.

The dispute is significant for two reasons; first, that the most sober and conservative section of the trade union movement is prepared to stop the industry on an issue as narrow as $1\frac{1}{2}$ hours a week and 5 per cent. on list prices; secondly, that even the elaborate organisation for collective bargaining of the cotton industry is inadequate to the needs of the present situation. The dispute cannot be understood, unless the enormous profits made in the industry in the last two years of the war, on which the

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operatives are in effect making a *retrospective* claim, are borne in mind. The dispute may have the incidental effect of inducing the cotton industry to adopt the Whitley Report in order to secure an organisation that can negotiate changes for the whole industry without the present uncertainty and delay.

The most important of the other disputes are in the coal mining industry. The interim report of the Coal Commission recommended, in addition to an advance in wages, a reduction of hours for underground workers from 8 per shift to 7, with an adjustment of piece rates to maintain earnings, and some reduction of hours for surface workers. The Government accepted the recommendation; but, while remitting the negotiations necessary for giving effect to it to the mine-owners and unions in each district, decided, first, that any increase in rates above 10 per cent. should be charged against the guaranteed profits of the mine-owners; and secondly, that prices must be increased 6s. a ton to bear the increased costs due to the concessions. The estimate of the increased cost given before the Commission itself was 4s. 3d. a ton, and the higher increase was resented by the miners as an attempt to make them unpopular with their fellow workmen. Further, the miners claimed that an increase in rates of a seventh would be necessary to maintain earnings when hours were reduced by a seventh, and they found mine-owners who agreed with them. The interim report has not, therefore, proved a final settlement of the wages and hours question raised by the miners' demands last February.

Strikes broke out in South Wales over surface workers' hours, in Derbyshire and Nottinghamshire as a protest against the 6s. rise, in Northumberland and Yorkshire over the adjustment of piece rates. Of these the most serious is the Yorkshire strike. It affects a large output; it has lasted a month, and has still to be settled; the strikers went to the unprecedented length of drawing out

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the men who worked pumping machinery and ventilating fans; and the union has refused to accept a settlement negotiated by the Miners' Federation and accepted by the other unions in the Federation. The Government made mistakes. First, it should not have attempted to limit the advance in piece rates unless it was sure of its ground and meant to adhere to its decisions; the Miners' Federation, by mere reason without threat of force, was able to induce it to alter its decision. In the second place, the announcement of the 6s. rise in coal on the eve of the Swansea by-election, even if it was not—as all the miners' leaders think—an attempt to influence the electorate, was a tactless proceeding. In the third place, it was acting either ignorantly or stupidly to confine negotiations over the piece-rate question to the Miners' Federation, when the Yorkshire Miners' Association, an independent organisation though affiliated with the Federation, had taken the matter into its own hands and had the constitutional right to settle it.

Much more serious than the Government's mistakes, however, has been the attitude of the miners. A disinclination to consider compromise, a determination to exact their demands at any cost to the community, and an unlimited faith in the adequacy of their organisation to secure any end they direct it to, mark the temper of the rank and file; in their leaders this temper combines with a passionate belief in the justice of their political aims to create a force as intractable to the ordinary methods of political argument and persuasion as the dissenting Puritan sects of the seventeenth century. The Government offered to defer the rise in the price of coal for three months on condition that the miners would undertake to co-operate in increasing output and would give an undertaking that there should be no strikes. The Annual Conference of the Federation rejected the offer by a large majority, in spite of impressive appeals from Mr. Brace and Mr. Hartshorn, two of their most trusted leaders in

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Parliament. Similarly, their representatives on the Coal Commission made a reservation to that part of Mr. Justice Sankey's Report in which he recommended that strikes should be prohibited until the issue should have been considered by the proposed District and National Mining Councils. This clinging to the strike is natural when it is remembered that before the war the Miners' Minimum Wage Act and the Eight Hours Day Act were extorted by the use of this weapon, and that during the war, from the time when Mr. Lloyd George conceded to the South Wales miners their full demands, after the Chief Industrial Commission had negotiated a compromise settlement with their leaders and the strike had been "proclaimed" under the Munitions of War Act, the miners were able to secure their full demands from the Government by threat of striking every time the two came into collision. But if it is natural, it is none the less an element in the public life of the country that may lead to social disaster. Coal is a vital service; already there is widespread unemployment in Leeds, Bradford, Sheffield and the other industrial centres dependent on the Yorkshire coal-field; and the miners' readiness to strike complicates very seriously the two political problems, direct action and nationalisation, that are pressing on the Government's attention to-day.

Quite apart from the special claims of the miners, the prospects of industrial peace are not good. As has been pointed out in *THE ROUND TABLE* before, one of the most important results of the war has been the dislocation of normal standards of wages, normal conditions of work, and the normal relations of different grades or classes of workpeople. The result is that most workpeople can point to someone else who is doing better than they; no one is satisfied with what he has got; and no one is sure that what he is getting is as much as he might extort if he pressed his claims by a strike. Employers on their side are equally undecided; commercial prospects are very

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speculative; labour is aggressive; the Government has compelled them to make some concession to every demand of their workpeople for so long, that they find it less trouble to go on making concessions than to force an issue and effect a lasting settlement of wages and conditions. Gradually the muddle of war-bonuses and other temporary expedients for averting a real settlement is being cleared up; but the wise suggestion made by the Provisional Committee of the National Industrial Conference, that the Ministry of Labour should promote conferences and the Interim Court of Arbitration should act as a final court of appeal in all trades in which a settlement of this question had not been reached, has not yet been adopted, and much remains to be done. Add to this the continued rise in prices, the problems presented by war changes in technique, the irritability inevitable after the strain of the war, and the disappointed hopes of reconstruction, and there is a situation that demands all the statesmanship and forbearance of which employers and trade union leaders are capable. The omens are not favourable; a national lock-out has been declared in the furniture industry, and the engineering and shipbuilding employers met the men's claim for a 15 per cent. advance at their last appearance before the Arbitration Court by a counter-claim for a reduction of 5 per cent. The Court found neither claim established.

The recent disturbance in the Police Force was closely associated with the prevalent industrial unrest. The organisers of the Police Union called a "lightning" strike at the beginning of August with the purpose of destroying the Bill, then passing through Parliament, embodying the settlement recently arrived at. The great majority of the Force, both in London and in the Provinces, refused to follow the extremists. In London, only 1082 of the Metropolitan Police struck out of a total strength of 19,010; and only 58 of the City Police out of 966. In Birmingham,

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there were only 120 strikers out of an approximate strength of 1,000. The strike was most successful at Liverpool, where 954 out of 1,500 (approximate) came out. Rioting and looting ensued, and soldiers were called in to restore order. In accordance with the declared policy of the administration, the strikers were everywhere dismissed and forfeited their pensions. One or two sympathetic strikes occurred locally on railways in the London district, but quickly broke down. The failure of the strike was, in fact, as decisive as could be; and it has had a steadying effect on the industrial situation throughout the country.

Direct Action

The success with which the strike weapon was used during the war and since in disputes between groups of workpeople and the Government has made many converts to the doctrine of "direct action." The congestion of business in the Government Departments concerned led to delays in dealing with grievances; the establishment by frequent experiment of the principle that a body of workpeople who were dissatisfied with their treatment by the Board of Trade or the Ministry of Labour could appeal to Downing Street resulted in the addition of industrial disputes to the other functions of the War Cabinet and Prime Minister—where the congestion of business was even greater—and further delays. Again and again a sharp and sudden strike was needed to secure attention to a grievance. In the main the grievances urged in this way were incidental to the strikers' condition as wage-earners, but the authority subjected to this pressure was not the employer, but the Government. It is not strange that the wage-earner should think of using the same method for securing attention to his political grievances, and an influential section of his leaders, including the Labour daily, *The Herald*, is urging him to

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do so. It is a little unexpected to find the *political* wing of the Labour Movement, represented by the Independent Labour Party, supporting this attack on normal political methods. The explanation is that they regard the December election as a "trick" election, Parliament and the Government as unrepresentative, and the strike as the only means left even to a constitutionally minded democrat to compel a new appeal to the country. Their attitude to the present House of Commons is very much what that of the House of Lords was to the House of Commons of 1909 and 1910.

Four questions of a purely political character are causing intense feeling among left wing politicians of the Labour Movement: the military intervention in Russia, the extension of compulsory military service into peace time, the continued detention of conscientious objectors, and the use of the military in industrial disputes. It is typical of the mind of the advocate of Direct Action that he regards these questions as simple enough to be submitted jointly to a ballot which must express either unqualified approval or unqualified disapproval. The leading advocates of this use of the strike for political objects are Mr. Smillie and Mr. Hodges, the President and Secretary respectively of the Miners' Federation, Mr. Robert Williams, Secretary of the Transport Workers' Federation, and Mr. Lansbury, the editor of *The Herald*. The proposal became an issue of actual politics when the Council of the Triple Alliance called on the Parliamentary Committee of the Trade Union Congress to summon a special meeting of Congress to consider a general strike on the four political issues stated above. The Parliamentary Committee refused to act. The advocates of the policy next brought the matter up at the Labour Party Conference in June, and carried by a large majority a resolution instructing the Executive Council to discuss with the Committee of the Trade Union Congress the taking of action. A meeting has been held, but again the Congress Committee has refused to anticipate

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the ordinary meeting of Congress in September. The danger of a general strike was never serious, and the vote at the Labour Party Conference was taken after so short a discussion and was so far from committing the movement to definite and immediate action that it must not be taken as decisive.

The real danger of serious action lies with the Triple Alliance, which is now acting independently. A delegates' conference has been held and the decision made to ballot the members of the constituent organisations on a strike. The political questions on which action is proposed are three of the four mentioned above—Russia, conscription, and military intervention in trade disputes. Mr. Churchill has stated in the House of Commons that, quite apart from the general question of Direct Action, a strike on these issues would be an absurdity; intervention in Russia is being brought to a close as rapidly as possible, the same is true of compulsory military service, there are no conscientious objectors still in prison, and there is not and never was any intention to use military units as strike-breakers. This explanation is regarded merely as another success for the policy of Direct Action; at the same time it is not accepted as reliable, and the ballot is proceeding.

The issues on which the strike is proposed are so far from simple that a ballot in favour of striking will not necessarily be followed by a strike. Contrary to the popular impression, the affairs of the Triple Alliance are not in the hands of irresponsible boys, and it may well be that, if and when the leaders are given the power to call a strike, they may be convinced by the Government that the particular problems on which they wish to impose their solution are either incapable of settlement the way they propose or already in process of satisfactory solution. The leaders are themselves not united on the policy of Direct Action. Mr. Thomas, of the Railwaymen, has used all his great influence to prevent the issue from being raised; among the Transport Workers the Seamen's

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Union could not be relied on if a strike were called, and no one wants to risk a breach in the Alliance; and among the supporters of Direct Action the most influential, Mr. Smillie, is fully conscious of the seriousness of the step and as reluctant as anyone to inflict on the community the suffering involved in a stoppage of its most essential services. While the action of the Alliance in taking a ballot, therefore, has lifted the project of Direct Action into the field of current possibilities, the chances on the whole are against a strike being called as a result of it. It is on the question of nationalisation, in which the political and industrial interests of the members of the Triple Alliance meet, that a strike is likely.

The three parties to the Alliance are all engaged in industries the immediate nationalisation of which is urged by the Labour Movement. In each case the war has brought with it Government control, which has lasted so long that a return to the *status quo* without modification is impracticable. The question of the Docks is in the main answered already in favour of public ownership and control; the question of the Railways will have to be settled soon, although the Transport Bill leaves it open and the unions are not pressing it at the moment. The critical question of the moment is coal, and the temper of the miners on this is indicated by Mr. Smillie, who would regard a strike to compel nationalisation as hardly falling within the category of Direct Action at all. It was by threat of a strike that the miners secured the appointment of the Coal Commission; their leaders will not hesitate to use the same means to compel the adoption of the Sankey recommendations.*

* POSTSCRIPT. On August 13 the Executive of the Triple Alliance met privately and decided to defer any action of the kind contemplated when the strike ballot was decided on. That this does not mean an end to the danger of a strike for a political object is proved by a speech by Mr. Smillie, who, addressing the Scottish Miners the next day, urged them to refrain from sectional and sporadic strikes in order to conserve their energies for the national strike that might be necessary to compel the Government to adopt nationalisation.

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The Coal Commission's Report

The Coal Commission reported on the second stage of its enquiry on June 20. Four reports were presented, the first by the Chairman, the second by the miners' representatives and the three Socialists on the Commission, the third by the mine-owners' representatives and two of the three independent employers, the fourth by the other independent employer, Sir Arthur Duckham. All four reports recommend the appropriation by the State of the mineral rights, and only the three miners' representatives oppose compensation. The mine-owners report against nationalisation, and propose an organisation on the lines of the Whitley Report to improve relations, the empowering of Local Authorities to deal in coal, and a Department of Mines with a consultative council to watch the various interests involved. Sir Arthur Duckham proposes management by a number of Statutory Companies, each taking over all the undertakings in a single area, with interest at the rate of 4 per cent. guaranteed by the State and earnings over 6 per cent. applied as to two-thirds to reducing the price of coal, and one-third to dividends on share-capital; the management staffs to have one representative, the workers two representatives and the shareholders four representatives on the directorate of each Company. The separate report of the miners' and Socialist representatives on the Commission is confined to expressing general agreement with the Chairman's recommendations, subject to two reservations—a claim to a larger representation of workers on the proposed National and District Councils and an objection to the limitation on the exercise of the right to strike proposed by the Chairman.

The Chairman's recommendation, briefly, was nationalisation. In order to avoid the evils of bureaucratic administration, he suggests that the Minister of Mines should

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have associated with him a National Mining Council, composed of members of District Mining Councils, which in turn would consist of four representatives of consumers, four representatives of the technical and commercial staffs, and four representatives of the workers, with a Chairman and Vice-Chairman appointed by the Minister of Mines. "Subject to the direction of the Minister of Mines," the District Mining Council shall have the entire management of the industry in its district.

When the miners challenged the Government in February with a threat to strike on the issue, among other things, of nationalisation, the Government found itself without a policy, and put forward a Commission of Enquiry partly, it may be surmised, in the hope that the Commission would find a policy for it. That hope, if it existed, has been disappointed, and the composition of the Commission, which had to satisfy the miners, was bound to have that result. The Commission was modelled on a Wages Arbitration Court, a legal chairman having associated with him representatives of the two parties to the dispute and an equal number of persons who were not themselves parties to the dispute but might be expected to sympathise with the parties. As such it was suited to dealing with the issue of wages and hours; it was not in the least likely to reach an agreed recommendation on the complicated problems of political and economic policy involved in nationalising the coal industry. There was no adequate representation of consumers, no representation of royalty owners or of the Departments of State concerned; the economists could hardly be said to owe their appointment to their open minds; the Chairman and possibly Sir Arthur Duckham were the only members of the Commission whose general attitude to the question of nationalisation could not have been predicted before the hearing of evidence began. The result is a majority report which the miners would accept, but Parliament does not like; a minority report that Parliament would accept, but the

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miners would not ; and an individual report, Sir Arthur Duckham's, that satisfies neither miners nor mine-owners and is too independent to impress Parliament. How the Government must wish that the late Ministry of Reconstruction had devoted to the Mining Industry and the Railways some of the research it expended on rural industries and new fields for British engineering !

Conclusion

As has been pointed out in a previous article in this issue, the industrial outlook is very far from reassuring. There are, however, certain features that encourage the observer to hope. In the first place there is no reason to believe that the Englishman has changed his character and become a revolutionary. He may be driven to revolutionary methods by the ineptitude of his employers or governors ; but there is nothing in his present attitude and temper that requires revolutionary theory or " Bolshevist gold " to explain it. There is the accumulation of ordinary wages and conditions questions from the war to make trouble—the amount of trouble so far has been remarkably little ; there is disappointment that none of the high hopes aroused by the creation of a Ministry of Reconstruction have been realised ; there is resentment at the rise in prices and the continuance into peace of other war conditions ; above all, the worker is tired. This last fact explains to a considerable extent both the fall in output and the new insistence on shorter hours and holidays. In spite of labour unrest, industry is beginning to adjust itself to the conditions of peace. The number of persons in receipt of State unemployment pay has fallen from 1,100,000 on May 2 to 600,000 at the end of July—a result due to private industry, not to any assistance given to industry by the Government. The new Minister of Labour again inspires hope. Without doing anything

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sensational, Sir Robert Horne has secured the respect and confidence of Labour to an extent that neither of his "Labour" predecessors did. It is probably due to him that agreed measures for the restoration of pre-war trade union practices, the universal application to industry of the 48-hour week, and the extension of a legal minimum wage to all workers who are not so well organised as to be able to dispense with it, have been embodied in Bills, which it is hoped to pass at an early date. The first of these will remove a long-standing obstacle to a resettlement of wages and conditions, and at the same time free the skilled worker from the fear that the Government would connive at the extinction of his economic safeguards; the two latter are measures demanded by the National Industrial Conference, and when passed will give an assurance of security and leisure to the ill-organised worker that he (and she) have not hitherto enjoyed. The sale of the Government factories and other war-time supplies has been violently attacked by Labour; but the policy is justifying itself by the good prices obtained, and still more by the utilisation of the factories for peace purposes without further delay. Whatever the possibilities in theory of converting these plants to peace purposes under Government ownership, it is a practical certainty that the conversion would not have been effected with anything like the promptitude with which private enterprise is effecting it. The reduction of the Excess Profits Tax to 40 per cent. and the partial removal of war-time restrictions have materially helped a recovery of industry. But these negative measures need supplementing by a positive and constructive social policy, if labour unrest is to be allayed and confidence re-established, not in this Government merely, but in the system of Parliamentary government of which the present Ministers are only the transient exponents.

London. August, 1919.

Ireland : the Call for a Settlement

II. IRELAND : THE CALL FOR A SETTLEMENT

SINCE the last number of THE ROUND TABLE was published, an Irish Dominion League has made its appearance, under the chairmanship of Sir Horace Plunkett, backed, at least in respect of its advocacy of a Dominion settlement, by a cleverly written weekly paper, *The Irish Statesman*. The League has received the corporate adhesion of Captain Gwynn's Centre Party and the individual support of most of the founders of the Nationalist Veterans Association. As was stated in the last number, "Dominion Home Rule undoubtedly represents the normal aim of Nationalist Ireland." Not many years ago the launching of such a movement under such auspices would have set tar barrels blazing on the hills. To-day it has been received with good-humoured scepticism on the part of men of goodwill, and with anger and suspicion on the part of the extremists of both sides. It is significant of the strange condition of men's minds that rumour has not stopped short of accusing Sir Horace of using secret Government funds to defeat in this manner the imminent realisation of an Irish Republic. The League is doing useful work in bringing together reasonable persons from all sides ; but unless the Government, for once in a way, takes such action as will give reasonable persons a chance of being listened to, the popular ear will still be lent to the exponents of Sinn Fein, for the simple reason that this organisation alone is thought powerful enough to force attention to the Irish claim.

One is told, indeed, from time to time, that Sinn Fein is losing its grip ; but proof in support of the statement is seldom obtainable. Notwithstanding the failure of all hopes based upon the Peace Conference, the Separatists still hold the field, not because the general body of Irishmen believe in the Republic, but because they disbelieve

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in British goodwill and British statesmanship. The condition of the country is still unsatisfactory in the extreme. Non-political crimes (always rarer in Ireland than elsewhere in the United Kingdom) have, indeed, become fewer than ever, as recent judicial charges show; but raids for arms are frequent, as are also murderous assaults upon men individually or officially obnoxious to the revolutionaries. Such outrages are commonly defended, even by otherwise sane and decent people, on the ground that a state of war exists between the Irish Republic and the English Crown. And it must unfortunately be added that the spectacle of English soldiers with shrapnel helmets and fixed bayonets patrolling the streets of Dublin and other towns, unavoidable though it may be in existing circumstances, fosters this illusion, while it angers and humiliates even those (and they are more numerous than is often remembered in Great Britain) who have the most intimate reasons for honouring the King's uniform. There can be few Irishmen of any party who regard with pleasure the continued presence of an army of occupation openly holding down a sullenly disaffected mass of their countrymen, and fewer still who believe that such a state of things can continue indefinitely.

Nor—to put it mildly—has the speech which Sir Edward Carson delivered in Belfast on July 12, taken in conjunction with the attitude of the Executive on this and other occasions, helped to mend matters. It may well be that the English law officers were right in holding that no legal offence had been committed, difficult though it is to square their opinion with the provisions of the Treason Felony Act as expounded by Lord Justice O'Connor during the subsequent trial of a Sinn Fein prisoner. But even in England there must be many who agree with Major Lloyd Graeme, Unionist M.P. for the Hendon division of Middlesex, in holding that the speech, “whatever its precise legal significance, was a moral and political offence.” In Ireland, at any rate, the net result of the business is to

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strengthen the feeling that equal administration of British Law is not to be expected, and to set people asking once again, What has happened to the Ulster arms which were supposed to have been surrendered to the Executive? When Sir Edward demands the repeal of the Home Rule Act, and roundly says that, if this is not conceded, he will "at all consequences once more call out the Ulster Volunteers," people may be excused for believing that he has ready to his hands the means for re-arming his followers.*

It is a relief to turn from these indisputably mischievous, if possibly legal, threats to the wise and temperate message in which General Smuts, on the eve of his departure, made appeal to the more generous instincts of the British democracy :

"The most pressing of all constitutional problems in the Empire," he wrote, "is the Irish problem. It has become a chronic wound, the septic effects of which are spreading to our whole system and, through its influence on America, it is now beginning to poison our most vital foreign relations. Unless the Irish question is settled on the great principles which form the basis of this Empire, the Empire must cease to exist. The fact that Irishmen cannot be made to agree may have been a good reason for not forcing a solution during the war, but now, after peace, the question must be boldly grappled with. Our statesmen have just come back from Paris, where they have dealt with racial problems like that of Ireland, and in every way as difficult as the Irish problem. They may not shrink from applying to Ireland the same medicine that they have applied to Bohemia, and to many another part of Europe."

Fully in accordance with the spirit of General Smuts' appeal is the remarkable series of articles which the *Times* has recently devoted to the elucidation of the Irish Question.

* Since this was written, Parliamentary questions have elicited the fact that the arms are under the control of Brigadier-General Sir G. W. Hacket-Pain, formerly Chief of Staff to the Ulster Volunteers. General Hacket-Pain retired from the Army in February, 1912, and was at first described by Mr. Churchill, "through an unfortunate error," as not having since held any military employment. He is, in fact, and has been for many months past, "in command of the Northern District of the Irish Command." (Cf. Parliamentary Debates, August 12, 1919, pp. 400 and 401.)

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Premising only that any settlement "must be such as the great majority of sane Irishmen can regard, now or presently, as not only tolerable but satisfactory; and that it must be based upon the determination that, under the ægis of the British Crown or within the framework of the British Commonwealth, Ireland shall be her own mistress," the *Times* has for weeks past called insistently upon the Government to prepare and, if need be, to impose a settlement. The articles in question have clearly been informed by first-hand knowledge and inspired by a real sense of all-round justice. Finally, the Executive having in the meantime shown no sign of being prepared with a policy of its own, the *Times* has itself put forward a scheme in some detail, pledging at the same time its sympathy and support "to all who attempt, in the only spirit in which success is possible, a just settlement of the Irish Question; whether the settlement be made on the lines we have indicated or on other and better principles." With these lines (which, besides, do not pretend to much novelty) readers of THE ROUND TABLE are doubtless already acquainted; but it may be convenient to summarise them very briefly. In order to meet the capital objection which North-East Ulster entertains as well to administration as to legislation by an All-Ireland Executive and Parliament, it is proposed to establish two State Legislatures, one for the entire province of Ulster, the other for the remainder of the country. By agreement (and apparently only by agreement between these bodies—but the point is not made quite clear) a Central Parliament is to be established, composed of an equal number of representatives of Ulster on the one hand and of the three Southern Provinces on the other. This Parliament may, by resolution, assume certain wide powers, subject, however, to ratification by the State Legislatures, either of which may subsequently veto the application of any law to its area.

Criticism of the scheme does not lie within the scope of this article, but some prevalent opinions may be recorded.

Ireland : the Call for a Settlement

It is evident to all that the strength of this proposal lies in the fact that it provides Protestant Ulster beforehand with every conceivable safeguard against objectionable acts, whether legislative or administrative ; whilst at the same time it creates (if and when the All-Ireland Parliament is set up) at least the symbol of a United Ireland. It has been noted, however, that while the safeguards in the first case are absolute, the satisfaction of national unity is hypothetical. In other respects the main line of criticism has been as follows. In the special circumstances of Ireland the proposed veto (if limited to some extent) might be tolerable, for Irishmen would go a long way to meet all reasonable fears of their northern fellow countrymen ; and, having regard to the inevitable under-representation of the Southern Unionists (even if proportional representation were introduced into Parliamentary elections), the equal representation of Ulster in the Central Parliament may be defended. On these points, at any rate, compromise may be regarded as possible. But it is the inherent defect of all such schemes (as was previously noted in a criticism of Captain Gwynn's very similar proposals) that, if provincial autonomy is carried beyond a certain point, it amounts to that very partition of Ireland to which national sentiment is so opposed. Moreover, just in proportion as the powers of the All-Ireland Parliament are diminished, must those who compose the minority in each area suffer from its inability to protect them against possible injustice at the hands of the State Legislatures. This is abundantly clear in the case of the Southern Unionists ; and it should not be altogether forgotten that the Catholics of Ulster entertain no less dread of the administration of Belfast than the Ulster Protestants entertain of the administration of Dublin.

These objections notwithstanding, the *Times* proposals have been very generally welcomed in Ireland as marking a very real advance towards a possible settlement. Subject to modifications which the *Times* itself invites,

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they may, in the opinion of good judges, form the basis of an acceptable agreement between all the constitutional parties. With the fundamental ideas underlying them—namely, that any settlement, to be of real value, must now or later satisfy sane national sentiment and must not endanger the strategic safety of these islands—ninety-nine out of a hundred Irishmen are openly or tacitly in agreement. As the writers very justly say, England has somehow “hurt the soul of Ireland.” It should be possible to cure that hurt, without injury to the body politic.

Dublin. August, 1919.

INDIA

I. FOREIGN AFFAIRS

THE outbreak of hostilities with Afghanistan may be traced back to the murder, in the last week of February, of our staunch ally Amir Habibullah. The guilt of the murder is not yet satisfactorily allocated; but it has been plausibly assigned to a court faction animated by ambition. The throne was first seized by Sardar Nasrullah, brother of the late Amir, a man beloved by the mullahs, or Mahommedan preachers, who exercise so much influence over the Afghan tribesman. Before long, however, it was apparent that the real power for the moment rested in the hands of Sardar Amanullah, then in command at Kabul, third son of the murdered man. He was supported by the Army, which happened to be mobilised; he controlled the treasury and the arsenal. Since his power was concentrated, while the influence of Nasrullah was diffused, he was able to secure the throne. He soon showed himself much under the influence of vague but grandiose ideas, such as self-determination and the rights of mankind. The highfalutin tone of his letters affords an extraordinary contrast with that which marked the correspondence of his father and grandfather. Shortly after his accession he somewhat surprised the general public in India by a minatory speech in presence of the British envoy, announcing the complete independence of Afghanistan. This declaration, which was not consistent with the political position for some time occupied by Afghanistan in relation to the Indian Government, indicated the adoption of an

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attitude different from that of the two previous Amirs. At the same time Amanullah professed his desire to live on terms of peace and amity with Great Britain. But his difficulties were great. Of recent years there has always been a war party in Afghanistan, whose members have seriously embarrassed from time to time rulers of such strength and experience as Amirs Abdur Rahman and Habibullah. Amanullah, young and inexperienced, was particularly susceptible to their influence. He owed his throne to the Army, and to secure himself he was compelled almost to double its pay. In addition, he had to make head against powerful opposing factions. He had—this was the most difficult of all—to satisfy the not very critical public opinion of Afghanistan as to the freedom of his supporters from all implication in his father's murder. He had already somewhat offended the Army by releasing the persons they had arrested on suspicion—persons belonging to a family too powerful to be molested. Afghan opinion demanded that some one be brought to book. On April 13 he held a durbar at Kabul, at which he announced that a special revelation had enabled him to identify at least one of those guilty of Amir Habibullah's death. The victim was promptly bayoneted. Sardar Nasrullah himself was condemned to life-long imprisonment, and penalties were at the same time inflicted upon other prisoners. Public opinion doubtless ought to have been satisfied, but was not. The Army believed that the guilty persons had been allowed to escape. The mullahs, with all the religious influence which made them so formidable, were alienated by the treatment, very natural though it might be from the Amir's point of view, accorded to their idol, Nasrullah. The Amir's position became more and more insecure, and he determined on a desperate throw, nothing less than engaging in hostilities with India.

It must be admitted that the moment may have seemed propitious to him. General Mahomedan opinion was

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uneasy as to the fate of Turkey and of the Holy Places. It was natural for Amanullah to pose as the champion of Islam against Great Britain ; and he had some hopes, which were speedily frustrated, of uniting Mahomedan zeal in a Holy War. Exaggerated rumours were rife in Afghanistan as to the "oppressions" inflicted by the Rowlatt Act, which was represented as hindering Muslims and Hindus alike in their public worship. It was known that an agitation against this Act was on foot in the North-West Frontier Provinces—a most unusual phenomenon. The Punjab outbreaks were magnified by rumour until they assumed the proportions of a general rising against British rule—a result partly to be ascribed to our own official declaration that certain districts of the Punjab were in a state of open rebellion. The result of all this was greatly to strengthen the hands of the war party and to convince the Amir that the real solution of his difficulties was to be found in diverting the attention of his people from domestic affairs by embarking upon a war with India. He probably counted upon Bolshevik assistance, just as he seems to have imbibed the floridly "democratic" principles of Bolshevism. He certainly displayed an incredulity as to the strength of Great Britain's position and the finality of Germany's defeat which may well have been the result of Bolshevik propaganda. His policy was doubtless influenced by the presence at his court of various persons from India who bore no goodwill to the British and were anxious to increase the difficulties of Government.

Thus, Amanullah, having made up his mind, got to work with every hope of success. He published broadcast the exaggerated accounts he had received of the Punjab disturbances, which he described as exposing the rich bazaars and fair fields of that province to the mercy of Afghanistan. To justify his actions, he claimed that India was in a state of revolution which would react harmfully upon his own country, and that the misdeeds

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of the British bound him in honour to free India from tyrannical oppression and to safeguard Islam from the dangers which menaced it. He may have been quite honest in his absurd contentions as to the character of British rule, the "horrors" of which were probably described to him in vivid terms by Indian malcontents both in India and in Afghanistan. His information as to the military strength of India was grotesquely wide of the mark, and he seems to have been duped by those upon whom he relied for news of the state of Indian opinion. This presumably accounts for the fact that he caused leaflets and pamphlets to be prepared with the intention of fomenting rebellion in India, further planning to corrupt such newspapers as he hoped might be willing to be bought. Then, on May 2, a detachment of his troops crossed the border.

It is hardly necessary to recount the course of the military operations which soon disappointed the expectations of the Amir. He hoped much from the border tribes, whose co-operation he expected to enlist by appealing to their fanaticism and cupidity. The results fell short of his expectations. Very few border tribes came in against us with anything like unanimity. Some sections of other tribes engaged in half-hearted hostilities; but the majority sat on the fence. It is almost impossible, however, to prophesy what the tribes will do at any given moment, and this statement holds good as much for the future as for the past. The tribes constitute the variable quantity in the border equation, and there is little to surprise us in the fact that the Amir's calculations proved erroneous. The ill-success of his early military operations served to convince many of the wisdom of playing a waiting game. It soon became apparent that aeroplanes, wireless, and high explosives were revolutionising frontier warfare in a manner disconcerting to the Afghan. Aeroplanes proved particularly effective against the Amir's regular troops. Against the Amir's tribal *lashkars*, whose principal characteristics are great mobility and marked powers of rapid dispersal

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and rallying, their achievements were less striking from the material point of view, although the moral effect of their operations was considerable. Particularly at the beginning of the campaign, when our antagonists were principally the Afghan regulars, the influence of the aeroplanes was great. Enemy concentrations and military objectives in important places such as Dakka, Jellalabad, and Kabul were systematically bombed with great moral and material effect. The Afghans were discouraged. On May 14 the Afghan Commander-in-Chief asked for a cessation of hostilities in an insolent letter. As he had no authority to treat, his request was promptly refused; and he was informed that, if the Amir wanted peace, he could sue for it himself, but that it would be no use doing so unless he enclosed a copy of his official orders to his generals bidding them suspend hostilities. Six days later a further request for an armistice was proffered; but, as the envoy who bore it was not armed with proper credentials, he was sent back. Meanwhile, operations against the Afghans had developed further south in the Kurram and Khost regions, as well as against certain of our own border tribes, now in a restless condition, in Zhob. At first, several of our small levy posts were withdrawn, and our garrison in Thal was seriously menaced. This exercised a considerable influence upon other local tribes, who began to show signs of rallying to the Amir. But before long the Afghan forces were driven from Thal in such confusion that they left considerable quantities of munitions and baggage in our hands. Also Spin Baldak, popularly considered the strongest fort in Afghanistan, was stormed in a most gallant manner by our troops. In short, a series of reverses were inflicted upon the Afghan on all fronts. None the less, the attitude of some of the border tribes was such as to offset in some measure the disconcerting effect upon the Amir of his defeats in the field. He no longer hoped for victory, but he expected to disguise defeat. Vanity is the dominant trait in the

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Afghan character ; and it is this trait which accounts for the conceited tone of the letter which Amanullah sent to the Viceroy on May 28. In this communication he laid the blame for recent hostilities upon the British, but made sufficient concession to the facts of the situation to ask for terms. He also followed our advice in enclosing a copy of his order commanding his generals to cease hostilities. The Viceroy's reply contained a specific recital of the various acts of hostilities committed by the Afghans prior to any action on the part of the British, but proposed lenient terms. We have, indeed, nothing to gain from hostilities with Afghanistan. The country presents no attraction to us. We only wish to live in peace with a strong Amir who can keep his subjects in order and restrain his border tribes from raiding. A frontier war is the last thing we desire at the moment. Accordingly, our principal demands were the withdrawal of Afghan troops, first from the frontier, secondly for a space of twenty miles from the nearest British forces ; and the dispatch of urgent messages to the tribes, cancelling the orders inciting them to hostilities against us and announcing the Amir's request for a cessation of hostilities. Although he had entirely suspended all military operations, the Amir's vanity, and his fear lest his influence with the tribes should suffer, would hardly permit of immediate acceptance of these terms, the literal execution of which was probably rather difficult for a ruler in Amanullah's position. On June 18 a somewhat evasive reply was received in Simla, which continued to manifest a desire for peace, but boggled at the suggested armistice conditions. The Amir was then told that if he would accept broadly the terms laid down, arrangements would be made to receive Afghan envoys in Rawal Pindi. On June 29 Amanullah again wrote, dwelling upon the one-sided character of the armistice conditions and the difficulty of their literal observance ; but pointing out that he had entirely suspended all operations against us, reiterating the steps he had taken as earnest of his desire for peace, and

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expressing the hope that the Viceroy would fix a date for the arrival of the Afghan envoys. Lord Chelmsford's reply emphasised the real character of the situation ; the Afghans began the war, and the Afghans now sued for peace. The terms were therefore naturally one-sided. But as no advantage could accrue from protracting the correspondence, the Afghan delegates were directed to present themselves in the British lines before 10 a.m. on July 22.

Discussion began at Rawal Pindi on July 26. There was the usual bluff by the Afghan delegates, who counted on our distrust of the border tribes and our unwillingness to expose our troops further to the intense heat of a summer campaign. Wiser counsels prevailed, however, and on August 8 our conditions were accepted and peace was signed. Advocates of the forward policy will lament that the opportunity was not taken to deal with the Afghan menace once for all by occupying Kabul and dictating terms which would secure permanent peace. But we have no desire to fetter the independence of a high-spirited people, or to extend our boundaries into the uplands of Asia. The young Amir has learned his lesson, and our policy may well be directed to making him as good a friend of Great Britain as his father was before him.*

II. DOMESTIC AFFAIRS

THE origin of the disturbances whose course was indicated in the June number of THE ROUND TABLE is not very abstruse. There is no valid evidence to connect them with Bolshevik activities, despite the importance attributed by certain sections of the Press to the sensational reports from Helsingfors. It is well known that the Bolsheviks never display undue modesty in estimating the effects of their noxious propaganda, to which they readily

* Peace was not concluded till after this article had been dispatched from India. The above paragraph has therefore been inserted.—[Ed.]

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ascribe disturbances susceptible of a purely local explanation. Gravely indeed would the future of the world be menaced by the success of their project of inoculating Eastern people with the virus of Bolshevism, and the danger is not one to be lightly regarded. But at this moment there is no definite evidence that the poison has reached India, still less that it has produced any marked effects. Should it come, there are grounds for fearing that it will find scope for its activities in the condition of the country. India has already begun to experience the wave of unrest now passing over the world. But so far as the recent disturbances are concerned, there is no need to drag in Bolshevism as an explanation. They can be explained on quite other grounds. Briefly, both the masses and the educated classes have of late been restless and uneasy. The masses, stirred out of their habitual calm by scarcity and high cost of living, have shown a disposition to blame Government for not performing an economic miracle in the reduction of prices. They are also disappointed that the termination of the war has not put an end to their hardships. They have suffered much, and, on the whole, very patiently; but their temper has become such as to render them particularly susceptible to the influence of agitators. There must be reckoned among the causes of unrest a deep undercurrent of Mahommedan uneasiness as to the fate of Turkey and the destiny of the Holy Places. This has been exploited by the fanaticism of a few leaders, materially disturbing not merely the Mahommedans, but through them the Hindus also. It must, however, always be remembered that, under these trying circumstances, the great bulk of the Mahommedans have remained solidly and thoroughly loyal, despite their very natural religious anxieties. The educated classes in general have also been seriously affected by rising prices and by Mahommedan uneasiness. They have in addition grievances of their own. They are bitterly disappointed that the first prominent "official" move after the war has been the introduction of the Rowlatt Act.

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They fear that it stigmatises India as a country of anarchists. They also dislike its provisions, considering that it will empower the authorities to suppress even legitimate political activity if they so desire. Its passage in the face of the united opposition of the Indian members of the Imperial Legislative Council has been a severe blow to Indian pride, and is further considered in some quarters as a break with the sympathetic attitude towards Indian aspirations which characterised the policy of Government during the war. In short, immediately prior to the recent disturbances, the general atmosphere of India was electric. Educated and uneducated alike had their own grievances. The bond of union between them was supplied by a long-standing campaign of abuse and misrepresentation, which, with a strong racial bias and perpetually directed against Government, by degrees poisoned the minds of many persons originally well disposed. This campaign culminated in a malignant distortion of the Rowlatt Act. The masses were taught to believe that the Act would impose taxation amounting to half their incomings; would heavily penalise the humble ceremonies accompanying marriage and death which play so large a part in their ordinary existence; and would expose them to intolerable oppression at the hands of the police. Thus the time was ripe for an outbreak, and an occasion was found, as has already been related, in Mr. Gandhi's movement of *Satyagraha*—passive resistance to the Rowlatt Act through disobedience to civil laws.

The account of the movement which was given in the June number requires a certain amount of supplementing, in order to make it readily intelligible to those unfamiliar with Indian conditions. The *Satyagraha* campaign was initiated by Mr. Gandhi, who, convinced of the superiority of "soul-force" over material power, considered that he could, by the use of spiritual weapons alone, compel Government to withdraw the Rowlatt legislation. Local committees known as *Sabhas* were set up in many parts of India, and quickly

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secured the support of the extremist party. The moderate party held aloof. It is a mistake, however, to represent the *Satyagraha* campaign as originally an extremist venture. Its danger to public safety lay first in the immense personal influence that Mr. Gandhi wields over the masses ; and secondly, in the peculiar limitations which condition that influence. As in South Africa, so in India, it is apparent that while Mr. Gandhi can easily arouse popular passions to a flame, he is unable to control or guide them after they have reached a certain pitch. And this is really the explanation of the more tragic incidents of the recent outbreak. The small minority of agitators and persons thoroughly disaffected to British rule were enabled by associating themselves with the *Satyagraha* movement to make use of Mr. Gandhi's name in a manner which he apparently never contemplated, and, by his own confession, utterly disapproved. He announced that he was compelled to suspend the process of civil disobedience as it was being exploited, not by "true Satyagrahas," but by the disorderly elements of the population. He it was, however, who started the movement in the first instance, and it is difficult to consider him as anything but the cause, even if he be but the unintentional cause, of the whole mishap.

The outburst of popular passion surprised and terrified those who were responsible for exciting it. In some cases, at least, the very agitators who had aroused the mob to murderous frenzy vainly attempted to dissuade it from acts of violence, exposing themselves in their efforts to the hostility of the demon they had raised but could not exorcise. The murder of Europeans amid scenes of shocking brutality was, from a nationalist point of view, both serious and disconcerting. At a time when all parties were anxious to make good in the eyes of British democracy their claim to a large and liberal measure of reform, the evidence of organised sedition, by which the disturbances were characterised, was most awkward. Accordingly, there

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has been a general disposition to lay the blame on Government. The various Nationalist Associations, in their public manifestos, have attacked the Administration fiercely ; first for precipitating the disorders, secondly for exaggerating them, thirdly for mismanaging them. In connection with the first set of charges the administration of the Punjab has been saddled with the greatest responsibility. It is said that the recruiting methods employed amounted to conscription, and produced a great outburst of popular resentment. Whatever be the facts in regard to this charge, it can in no way afford a complete explanation. The Punjab was certainly exposed to a severe strain by its war efforts ; but the town proletariat, which played the leading part in the riots, was not the class which had given its manhood to the Empire. It had, however, suffered more than any other class from economic stringency ; it was ripe for trouble, and the open challenge of the local Government to the politically-minded classes, who have of late years been acquiring more and more influence upon the masses, did the rest. The next count is that Government itself caused the outbursts of mob fury in Amritsar, Lahore, Ahmedabad and Viramgaum by preventing Mr. Gandhi from visiting Delhi after the first disturbances. It is perfectly true that, on the false rumour of his arrest, an attempt was made in several places to overawe Government into releasing him by a show of criminal violence. But it is not easy to say what else Government could have done. Mr. Gandhi was the professed leader of resistance to civil authority. His acknowledged intention was to break the law. To have allowed him to augment by his presence the forces of disorder was quite impossible ; although in point of fact the consequences of restraining him turned out to be extremely serious.

We are probably destined to hear much more of the accusation that Government treated mere "local riots" as an excuse for introducing martial law and a "reign

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of terror." But no honest person knowing the facts can long hesitate before coming to a decision as to the absurdity of any such contention. The murder of inoffensive English business men and the burning of their bodies with kerosene, as happened in Amritsar; the burning alive of an Indian subordinate official, as happened at Viramgaum; the bludgeoning to death of casual Englishmen, simply because of their white skin, as happened both in the Punjab and in the Bombay Presidency; the concerted attacks on railways, telegraphs, and other means of communication, as happened in most places affected by the troubles; the burning of law courts, the breaking open of jails, as happened in almost all places where disturbances were serious: all these are the characteristics, not of "local riots," but of a deliberate and organised rising directed towards the coercion of Government. But supposing, for the sake of argument, that these were indeed the results of "local riots," did it not behove those in authority to take measures, no matter how drastic, to prevent such disorders from spreading further? We may recall here the dictum of an eminent jurist: "The Governor who waits to recognise a rebellion till it looks like a war will probably find that he has waited too long."* It is, in fact, idle to deny that Government was faced with a situation more serious than any which had occurred since 1857. It would be unfair to all concerned to attempt to pronounce judgment at the present time: but from the evidence available at the moment, it would certainly seem that in some of their measures the authorities have presented their critics with grounds for attack which will be strenuously developed. The fact remains that the manner in which martial law was administered in the Punjab; its long duration (though this was largely due to the strategic necessities of the campaign against Afghanistan); the refusal to allow down-country lawyers to defend persons accused before special tribunals; the restriction passed

* Mayne: *The Criminal Law of India* (1904), p. 502.

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upon the entry of journalists from other provinces ; the steps taken against the Press, including the severe sentence passed upon the editor of a local paper—all these things were bitter as gall to Indian susceptibilities. That they have exercised widespread influence outside the Punjab, and have excited great bitterness, is common knowledge ; and it is probable that martial law could have been employed with equal effect in a manner less obtrusive. So deep has the iron entered into the soul of educated India that even a liberal remission of sentences and other acts of clemency to those guilty of participating in the late disturbances have caused no sympathetic reaction in favour of Government. But when we have said this much, we have said all. That the general policy of Government was the only possible one under the circumstances, no person who is prepared to take an impartial view of the facts placed before him can doubt. In short, the peaceful development of India towards progressive realisation of responsible government within the British Commonwealth has recently been subjected to very grave danger. That it survived the shock is due primarily to the rallying of the immense preponderance of opinion round the maintainers of law and order. Every Englishman must acknowledge with profound thankfulness the deep-seated loyalty of the mass of the Indian people. As in 1857, so in 1919, the lives of many Englishmen were saved by the devotion of their Indian fellow-subjects. Of the several provinces of India, only the Punjab, Bombay, and Delhi were affected at all seriously. Bengal, after one anxious day in Calcutta, remained quiet. The Moderates threw their influence into the scale against passive resistance. They knew too well what the consequences of such a movement might be. The United Provinces, full though they were of all the elements of conflagration, the very centre and seat of fanatical Mahommedan opinion, displayed no disposition to indulge in disorder. Madras, the Central Provinces, Bihar and Orissa, Assam—all showed

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themselves utterly opposed to any disturbance. But credit must also be given in no small degree to the firmness of the steps taken by Government.

Two lessons emerge very plainly from the crisis. The first is the absolute necessity of Government taking systematic steps to enlighten public opinion not merely as to its motives and intentions, but also as to the very action which it takes, in order to protect itself and the unsophisticated people in its charge from the sinister effect of misrepresentation of the vilest sort. Englishmen, especially English officials, have been slow to learn this lesson. It is even now apparent that much trouble and much heart-burning might have been avoided if the official accounts of the Punjab disorders had been less stereotyped, more detailed, and more convincing. The second lesson is that political reforms for India must be hastened on as fast as possible, so that the most enlightened and most progressive elements in the country may find an outlet for their energies, and may realise that their best opportunity of serving their country lies in co-operation with the efforts of Government rather than in indiscriminate criticism of its activities, motives, and intentions.

III. PUBLIC OPINION

WE have seen that, at the beginning of the period under review, both educated and illiterate opinion in India was in a somewhat uneasy condition. The first effect of the outbreak of the disturbances was to cause the rally to Government of the more sober elements in the country. This process was enhanced by stern suppression of the disorders. Hindus and Mahommedans began to look at each other askance ; to accuse each other of bringing upon them both the common trouble. Hindu-Mahommedan unity was further impaired by the aggression of Afghanistan, which on the whole considerably strengthened the position,

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while unquestionably increasing the anxieties, of Government. The conduct of the Amir was too closely in harmony with the precedents supplied by Taimur, Nadir Shah, and other invaders, not to cause a thrill of uneasiness in the breast of the Hindu community, whose folk-memory of Mahommedan incursions from the North is still alive. The Mahommedans themselves showed no disposition to second Afghan efforts, and seemed anxious to assure Government of their entire loyalty. There was even some evidence of a tendency to accuse the Hindus of involving them in the recent disturbances. In short, the whole effect of the Afghan war was to rally the great bulk of Indian opinion to the side of Government.

When the Afghan attack had failed and the first shock of the internal disturbances had passed away, clamant voices arose from the politicians. The official statements about the suppression of rebellion were criticised; many of the steps taken by Government were bitterly attacked. Moderates and extremists showed a common tendency to condemn whole-heartedly martial law, while in the same breath expressing abhorrence of the occurrences which had made martial law necessary. There seemed at one time a danger lest the two parties should unite, at least for the moment, into one irreconcilable opposition to the policy of progressive advance. Extremist opinion openly declared that, in the light of what had happened in the Punjab, the constitutional advance foreshadowed in the Montagu-Chelmsford report was worthless, and that nothing but complete Home Rule held out any prospects of relieving India from tyranny. Even at the moment of writing, the view is put forward in the ultra-extremist Press that the question of constitutional reform is secondary to the holding of an exhaustive inquiry into the causes of the Punjab tragedy, into the conduct of the civil and military authorities, and into the justification for every official act connected with the suppression of the disorders. Violent telegrams have been dispatched by the various committees of the Indian

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National Congress, throwing the whole blame for recent happenings upon Government. Meetings of protest have been held, demanding the recall of Lord Chelmsford; inflammatory articles have appeared of a character which has left no course open to Government save that of taking action against the several journals concerned. Great efforts have been made by extremist politicians now in England to enlist the sympathies of the British Labour Party; and the recent manifesto by Messrs. Lansbury, Smillie and Williams, which was plainly based upon an entire misunderstanding of Indian conditions, was hailed with delight by all the extremist periodicals in India. The resignation of Sir Sankaran Nair, the Indian member of the Viceroy's Executive Council, generally ascribed to his disapproval of official policy in the Punjab, has been marked by considerable applause on the part of the extremist Press. Moderate opinion, which at first was seemingly afraid to dissociate itself from extremist views, has now once more taken up a separate line; and while not prepared to admit that Government was justified in all its acts during the recent troubles, has issued manifestos, signed by prominent members of the party, condemning the outbreaks with great, if belated, energy.

The publication of the reports of the Southborough Committees on Franchise and Functions, together with the Government of India's dispatches upon them, and the introduction of the Reform Bill into the House of Commons have naturally excited less interest in this country than would have been the case had the recent disturbances failed to materialise. On the whole, the report of the Southborough Committees has been well received. It is felt that they have done their best for the Montagu-Chelmsford scheme. Some of the English-edited papers seem to regard the obvious difficulties experienced by the Committees in their work as a *prima facie* proof of the unworkableness of the whole project; but the Indian-edited papers on the whole are satisfied. A few particular

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points have been singled out for attack. The non-Brahmins grumble that the whole question of communal representation has been shelved in a disgraceful manner ; and some of the more advanced among social reformers express regret at the refusal to enfranchise women. The Government of India's series of dispatches, however, have been received with marked disfavour by the bulk of nationalist opinion. Two sets of people only approve of them with any heartiness—those of the Europeans who favour dyarchy, and the non-Brahmins. The first are pleased because the foundations of a thoroughly practical scheme have been evolved ; the second, because the importance of safeguarding their communal rights is plainly admitted. On the other hand, the enemies of dyarchy among the Europeans are chagrined, first by the appearance, at a time too late to be effective, of the highly ingenious " unitary " scheme put forward by the five Heads of Provinces ; and, secondly, by the very trenchant criticisms directed by the Government of India against that scheme, which plainly indicate that dyarchy, so far from being " dead," as its opponents have for some time triumphantly boasted, is the only scheme which in the last resort will satisfy the declaration of August 20. It should, however, be noticed that Indian opinion, which has for some time made the mistake of investing the Montagu-Chelmsford scheme with a finality which its authors have never claimed for it, has in consequence generally failed to perceive that the Government of India is concerned neither to enlarge the scheme nor to whittle it down, but solely to place it upon a practical basis. It is indeed apparent, from the Government of India's series of dispatches, that examination, in greater detail than was possible for the framers of the Montagu-Chelmsford scheme, reveals that in several respects that scheme provides unexpected possibilities of deadlock ; and in order to avoid these, certain changes have been introduced. Among the most important of these changes is the proposed substitution of a separate for a joint system of

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finance in the case of the two halves of the new provincial Governments. This is supported by arguments of great weight and cogency. It is, none the less, much disliked by Indian opinion, being regarded as reducing substantially the powers and influence of the Ministers, who, with the disappearance of the arrangement under which they would have to be content with the crumbs falling from the table of the Executive Councillors, naturally lose their sole right of initiating taxation. Under the new plan each half of the Government would know exactly what its resources are, would reap the benefits of its own economies, and would be protected from encroachment by the other half. Ministers would learn their work all the faster, being given a free hand in their own kingdom, and would prepare themselves all the more rapidly for the business of taking over fresh powers from the official half of the Government. This arrangement is calculated to produce results more in harmony with the intentions of the framers of the Montagu-Chelmsford scheme than the plan originally suggested in the report itself. But owing to the failure, already mentioned, of Indian opinion to recognise the exact character of the work which the Government of India was performing in its dispatches on the scheme, the suggested arrangement has been made the subject for bitter attack. Certain other points in the Government of India's recommendations have also been severely criticised. It is constantly stated that the interests of the services in India are being preferred to those of the country at large. The reservation of industries, a new administrative subject, seems to be dictated by obvious considerations of convenience. The Government also believes that it is advisable to hand over primary education alone, while retaining control of secondary and university education, which in effect constitute a separate department. Both the one and other of these recommendations have failed to commend themselves to Indian opinion. Sir Sankaran Nair's series of dissenting minutes, in which he roundly accuses his colleagues of whittling

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down the scheme in the interest of bureaucracy, has been extensively quoted with every mark of approval by the extremist Press.

The Government of India Bill and the speech of the Secretary of State by which it was introduced have exercised a distinctly calming influence upon the passions roused by the controversy as to the origin of the recent disturbances. There is a general feeling of relief that Mr. Montagu has not allowed himself to be turned from his purpose by the recent lamentable occurrences ; and though exception is taken to his support of the action of the authorities, his promise of official inquiry, and, indeed, the whole tone of his speech, have greatly helped to rally moderate opinion to its traditional policy of co-operation with Government. The text of the Bill has been received with some disappointment, the opinion being expressed in certain quarters that it gives a blank cheque to the bureaucracy which they can fill in as it pleases them. On the other hand, this very feature commends itself strongly to certain sections of the English-edited Press, who, with the powerful commercial interest they represent, dread nothing so much as theoretical constitution-making divorced from those considerations of practical politics which, they consider, can hardly be dealt with save by the experience of the man on the spot.

There can be no two opinions as to the importance of conferring speedily upon Indians a generous measure of reform. On the decision of the British Parliament at this moment the future of India hangs. If the main features of the suggested constitutional reforms be preserved, that future should be a bright one. All those who are friendly to British rule will be encouraged, and the small but for the moment influential body radically hostile to us and all our works will lose credit.

India. July, 1919.

CANADA

THE WINNIPEG STRIKE AND ITS SEQUEL

THERE was general confidence in Canada that the period of reconstruction would not develop serious industrial conflict. Throughout the war there were few strikes or lock-outs. There was a good understanding between the official leaders of Labour and the Government. Among employers there was gratitude to Labour for energetic co-operation in the production of munitions and war supplies. It was believed that this satisfactory relation would continue if adequate precautions were taken to prevent serious unemployment and wages were maintained in some reasonable ratio to the increase in the cost of living. Mr. Tom Moore, President of the Dominion Trades and Labour Congress, in various public addresses, had emphasised the necessity of maintaining the volume of production and the advantages of co-operation with employers during the period of readjustment. Hon. Gideon Robertson, federal Minister of Labour, had also urged co-operation, and suggested to employers that they should endeavour to maintain wages at the war level. From employers there were many like statements and a general agreement that wage reductions should not be attempted. Moreover, returning soldiers, seeking their old places, were reinstated, and in many cases munition workers were re-employed without loss of time or reduction of wages.

It is not contended that all employers were sympathetic or reasonable, but generally the industries recognised the obligation to re-establish returned soldiers and the equity of maintaining war wages while food prices were rising, house rentals advancing, and costs of clothing and all other

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necessaries increasing. The first ominous symptom of a revolutionary temper in Labour appeared in Western Canada. In March a Convention of Western Unionists was held at Calgary which resolved to separate from the American Federation of Labour, to undertake the organisation of One Big Union and practically to supersede the Dominion Trades and Labour Congress. The Convention expressed sympathy with Russian Bolsheviks and German Spartacists, denounced deportation of aliens, demanded cancellation of all sentences imposed upon defaulters and repeal of all Orders-in-Council affecting freedom of Press or platform, and appointed an Executive Committee of Five to extend the organisation throughout Canada. Two of these were concerned in the one-day strike at Vancouver a year ago in honour of a defaulter under the Military Service Act who was shot while resisting arrest, the third is an active organiser among Western miners and an advocate of the release of interned Germans, the fourth frankly challenges the existing industrial and political system, while the fifth, at Winnipeg in 1917, urged a general strike of workers against conscription and national registration. These, designated as the "Red Five," have long been active in the councils of Western Labour, and with other agitators of like character have moulded a great body of the workers into the temper of revolt. With the single exception of the Typographical Union, all sections of organised Labour in the four Western Provinces voted in favour of identification with the One Big Union, and many of the Western leaders of Labour refused to appear before the Royal Industrial Commission, which has just submitted its report to Parliament, on the ground that since their object was to seize the tools of industry, they were not concerned in any movement to improve relations between employers and workers or to maintain industrial stability under the existing system.

The conflict at Winnipeg began in demands by the employees of three iron foundries for shorter hours and higher wages. Simultaneously the building trades demanded

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very substantial increases in wages and changes in conditions of service. The maximum demand of the builders was for \$1.00 per hour, but the employers contended that to give the wages required would render building prohibitive and increase unemployment. They submitted a counter schedule with a maximum of 90 cents an hour and other proportionate advances over the old scale of remuneration. The strike, however, occurred over the demand of the unions for recognition of collective bargaining rather than in any dispute over wages. The iron manufacturers agreed to negotiate with their workmen, but would not bargain through the Metal Trades Council, which is a combination of unions and was regarded by the employers as an extraneous body with which they had no natural or necessary relation. In support of the position of the Metal Trades Council a general strike was ordered. It is stated, although the evidence is not conclusive, that only 8,000 ballots were cast in favour of the general strike, although 35,000 ceased work at the call of the Strike Committee. In all, the members of 95 unions went out. Not only were the industries of Winnipeg vitally affected, but the firemen, the staff of the waterworks, the police, the telephone and telegraph operators and the postal employees joined the revolt. Milk and bread deliveries were suspended. Waiters in hotels and restaurants responded to the call of the strike leaders. Moving-picture theatres were closed and the street railway service abandoned. Even the newspapers were not allowed to publish, and for five or six days no issue of any of the three Winnipeg dailies appeared.

Naturally Winnipeg was astounded and the Dominion startled at the complete initial success of the Labour forces. Day by day *The Western Labour News* was issued by the strikers, and for a time its tone was jubilant and defiant. At a mass meeting the secretary of the Trades Council stated that "the solidarity of the workers augurs well for success in this strike and in the bigger struggle that is to come for the control of the resources of the country."

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Rev. William Ivens, editor of *The Labour News*, declared : "Winnipeg is now governed by a Soviet ; the seat of authority has been transferred from the City Hall to the Labour Temple." He said again : " In a short time there will be no need to use the weapon of the strike. We shall not need to strike when we own and control industry, and we won't relinquish the fight until we do control. The workers see no reason why they should not own and enjoy, since they produce all." In the first days of the strike carts were permitted to deliver bread and milk, but were required to display a placard, "By order of the Strike Committee." So theatres were "permitted" to open. The water supply was reduced to thirty pounds pressure, "sufficient for all one-storey houses." Telegrams were censored, and Press correspondents were obliged to motor long distances in order to file their dispatches at offices in American territory.

But the citizens of Winnipeg faced the crisis with signal courage and energy. A Committee of One Thousand was organised, and for five weeks men and women of all classes united to deliver milk and bread, to give volunteer fire protection, to maintain the water supply, to remove garbage, and to preserve order. There was no system of street transportation. It was not thought wise to drive motors. All the normal activities of the community were interrupted. A multitude of people had to set themselves to tasks for which they were physically unequal. There was much inconvenience, hardship and actual suffering. The Strike Committee was as resolute as the Committee of One Thousand, and for weeks the warring forces contended with increasing anger and bitterness. It is suggested that weakness was displayed by the municipal authorities, and that the federal Government should have intervened when the true object of the revolutionists was disclosed. But since federal intervention could be effective only through the proclamation of martial law and the use of the military forces, as long as order was preserved, or until the City

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Government asked for federal support, it was difficult and probably unwise for the Dominion Government to interfere. It is stated that when Mayor Gray was elected, he had the general support of organised Labour. Naturally, therefore, he was reluctant to sanction extreme action against the strikers. But his attitude gradually stiffened, and in the crisis of the struggle he was firm and resolute.

Ultimatums were issued to firemen and policemen by the City Council, and to postal employees by the federal Government, that if they did not report for duty they would be dismissed and never reinstated. It is significant of the power of the strike leaders and the temper of their followers that the public employees would not return, and submitted to dismissal without any reasonable prospect of restoration to their old places. Again and again negotiations for adjustment of the differences between the iron-founders and the metal workers were renewed. The employers, however, supported by the Committee of One Thousand, held to their original position that they would bargain only with their own workmen, and that the sympathetic strike must be abandoned and the principle disavowed before any conditions of settlement could be accepted. Many of the striking unions had absolutely no differences with the employers. In some cases unions deliberately violated fresh agreements to go out at the call of the Strike Committee. The firemen, policemen and postal workers left their places and subjected the community to enormous inconvenience over a dispute between the metal workers and the iron industries. It was contended in support of the position of the employers that, if the principle of the sympathetic strike were recognised, no factory could afford to enter into an agreement with a Labour union, since neither employers nor workers could guarantee its observance, and, indeed, that the position of employers would be weaker with organised than with unorganised labour, because the union would be under the authority of an outside body. From the first the federal

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Minister of Labour held that the contracts of unions must not be violated. This also was the position of the international federations. The strike leaders sought to involve the railway unions and paralyse transportation. But the leaders of the international organisations insisted that agreements with the railway companies must be respected, and that sympathetic strikes of workmen in the interest of disputes in which they were not concerned could not be sanctioned. There is no doubt that the attitude of Mr. Robertson, supported by Mr. Meighen, Minister of the Interior and acting Minister of Justice, who also visited Winnipeg during the revolt, and the resolute refusal of the international leaders to support the Strike Committee immensely fortified the position of the Winnipeg Citizens' Committee, divided Labour, and defeated the appeal to the railway brotherhoods for reinforcements. In attempts to negotiate a settlement, however, the brotherhoods were unsuccessful, because collective bargaining as accepted and practised by the running trades and the railway companies was not satisfactory to the Strike Committee, and, in fact, would have released the bulk of the strikers from any obligation to continue the conflict.

✓ The trouble spread to Brandon, Saskatoon, Moose Jaw, Regina, Calgary, Edmonton, Prince Albert, Vancouver and Victoria. In none of these places, however, was the strike of such long duration as in Winnipeg, and nowhere, except perhaps in Vancouver, was Labour so generally involved. In Saskatchewan and Alberta the telegraph and telephone services were not seriously embarrassed, nor the postal services demoralised. In Vancouver, however, the street cars ceased running, vessels were not allowed to load or unload, and there was an attempt to lay the newspapers under censorship. In Vancouver, indeed, the Strike Committee was only less successful than that of Winnipeg, and for a shorter season severe inconveniences and hardships were endured. Unfortunately there was riot and bloodshed in Winnipeg before peace could be restored. As the struggle

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lengthened the strikers became more sullen and violent. So the general community became more deeply exasperated. There were many ugly street quarrels, occasional incipient riots, and a dangerous attitude towards the special police. Among the strikers there was a percentage of returned soldiers, but the bulk of the veterans stood aloof or held themselves at the service of the civil and military authorities. There is no doubt that the Strike Committee sought an alliance with the soldiers, and perhaps rashly counted upon their sympathy in planning to assert control over Winnipeg and other cities of Western Canada. But from the first the masses of the veterans were loyal to constituted authority and suspicious of the strike leaders.

Johns, Dixon, Scoble, Russell, Bray, Ivens, Robinson, and other outstanding figures among the strikers were Bolsheviks, pacifists, or social destructionists. It is not true that aliens were conspicuous in the conflict. The chief fomenters of unrest in Winnipeg, Calgary, Vancouver and other Western centres have been English, Scottish or Canadian Socialists. Rev. William Ivens, who edited the strike organ, and Rev. J. S. Woodsworth, who took his place when he was arrested, were born in Canada, educated for the ministry, and for some years preached from Methodist pulpits. For a time Mr. Woodsworth devoted himself to social work among the foreign elements in Winnipeg and other Western communities and published a valuable book on Western conditions. Later he drifted to the Pacific and became a longshoreman at Vancouver. But, unlike Ivens, he was not concerned in the organisation of the revolt at Winnipeg. Three of the strike leaders had seats in the City Council as representatives of Labour, and were very mischievous through their official relation to the civic Government. In any event the foreigners, who are in disfavour with the soldiers, would have been kept in the background; but even when that is admitted, it cannot be doubted that the responsibility of alien elements for the trouble has been exaggerated. There are 27,000 registered alien enemies in

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the Winnipeg district, many of whom belonged to the Labour unions. As has been said, only 8,000 votes were cast in favour of the general strike ; but how many of these were cast by " foreigners " has not been revealed. Doubtless many aliens, fearing deportation and conscious of the hostility of returned soldiers, were easily mobilised into the army of revolt, but without English-speaking leadership they would not have ventured to challenge constituted authority. For years throughout the West, and particularly on the Pacific, imported Radicals have traded in class prejudices, and time and again precipitated industrial conflicts. Possibly the " foreigners " have been easily driven, but generally they have not been the organisers of trouble.

✓ In the third week of June the situation, which had been steadily growing more acute, culminated in a riot in which three lives were lost, and 25 or 30 persons injured. Owing to the danger of conflict between strikers and citizens, all parades and processions were forbidden by proclamation. Despite this, however, strikers and sympathisers among the soldiers determined to hold " a silent massed parade." Mounted police who undertook to maintain authority and order were attacked and forced to fire upon the mobs in the streets. According to the official statement in Parliament, " the first shots were fired by the strikers, and the mounted police fired in self-protection." Convinced by this incident that decisive action was imperative, the federal authorities had the strike leaders arrested and lodged in Stony Mountain Penitentiary. They also seized the books and literature at the Labour Temple at Winnipeg and at the strike headquarters in all other Western centres. The English-speaking leaders will be put on trial at Winnipeg for seditious libel, while four Russians who have not been admitted to bail, if convicted, will be deported under the provision of the new Immigration Act, which authorises deportation of any person who " by word or act creates or attempts to create any riot or public disorder in Canada, or who without lawful authority assumes any powers of

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government in Canada or in any part thereof, or who is a member of or affiliated with any organisation entertaining or teaching disbelief in or opposition to organised government." The wisdom of the arrests was questioned even by two of the three daily newspapers of Winnipeg, but the action of the authorities seems to have been justified by results. With the leaders removed the strike collapsed. Possibly the end was near in any event. Certainly the Citizens' Committee was confident of complete victory without federal intervention. But there was perhaps danger that rioting would be renewed, and possibly the Government acted upon evidence which has not been disclosed.

The Provincial Government, which throughout the long struggle acted with discretion and decision, has authorised Mr. Justice Robson to investigate all the conditions surrounding the strike, and it is expected that the inquiry will establish the objects and affiliations of the strike leaders, and also what responsibility rests upon employers for any failure to avert the conflict. *The Winnipeg Free Press*, in a leading article; divides the credit for the final victory over the Strike Committee between the citizens and the authorities. It says :—

It was the custom of the Strike Committee to rail at the Citizens' Committee of One Thousand and attribute to it an arrogation of the powers of government—thus seeking to turn back an argument which had been employed with telling effect against it. The Strike Committee would not see that the Citizens' Committee's effectiveness arose from the fact that it was an auxiliary to the existing and regular Governments. The Citizens' Committee did not man the fire halls when they were abandoned by the regular firemen; it supplied volunteer firemen to the city. It did not operate the telephones; it assisted in supplying the help which enabled the telephone commission to operate them. And so all along the line—with respect to sorting mails, to distributing bread and milk and ice, to securing enlistments for the militia regiments. It was simply a case of citizens coming to their own defence by that co-operation with the lawful authorities which ought always to be forthcoming in days of community peril.

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It is easy to find fault; and the zealous critic can find plenty of reasons for flaying the Dominion, Provincial and civic authorities. But it would be more charitable to recognise that they were suddenly confronted with extraordinary and unforeseen conditions which had to be met by improvised means and methods. Perhaps in these very trying times they have been quite as efficient as their critics would have been had they had power and opportunity. We have come through a very dangerous period with, after all, very few occurrences of a deplorable character, and for this we are indebted to the authorities and to the citizens who made it possible for the authorities to cope with difficulties as they arose. In its essence this was a victory for the plain people who rose in wrath against the pretensions of the Strike Committee; and in this demonstration that the people as a whole are greater and more powerful than even the most thoroughly organised minority, we have our most hopeful guarantee that we shall not again see in this town revolution in the garb of a general strike.

There is reason to believe that foreign influences and agencies had a direct connection with the organisation of the One Big Union at Calgary and the strikes at Winnipeg and elsewhere in Canada. For years, as has been said, Vancouver has been a hotbed of Socialism. Labour on the Pacific Coast, alike in the United States and in the Dominion, has manifested a more revolutionary temper than has Labour in the Eastern industrial communities. Vancouver is close to Seattle. Montana lies not far away. The more restless elements of Labour in Australia act upon the Pacific Coast, but never seem to touch the older States and Provinces. It is conceivable that the One Big Unionists of Australia, the I.W.W.'s of the United States, and the Bolsheviks of Europe saw in Western Canada an opportunity to establish a foothold on this continent. There is no doubt that the movement against Gompers and the American Federation of Labour has its strongholds in the West. For many years in Canada there has been a struggle between the Socialists and the craft unionists to control the Dominion Trades and Labour Congress. At Quebec, last September, the Socialists were decisively defeated. In September of this year the struggle will be renewed at the

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annual meeting of the Congress in Hamilton. Hon. Gideon Robertson, Minister of Labour, and Mr. Tom Moore, President of the Trades and Labour Congress, are frankly hostile to the One Big Union organised at Calgary and to severance of relations with the American Federation of Labour. The success of the One Big Unionists would not mean the creation of an independent national Labour organisation for Canada, but affiliation with the I.W.W.'s and other revolutionary associations in the United States instead of with the American Federation.

It is significant that in Toronto, as in Winnipeg, the call for a general strike was issued on account of a dispute in the metal trades, and that the Strike Committee in Toronto was composed chiefly of such Radical leaders as controlled the Winnipeg Trades and Labour Council. Conflict in the steel and iron industries indirectly affects many other industries. The decline in orders for steel produced a grave situation in the steel plants of Nova Scotia and has increased unemployment in other industrial communities. Fortunately the attempt to produce sympathetic strikes in Toronto and throughout Ontario failed from the outset. This was not so much because failure of the strike at Winnipeg had become an ultimate certainty as because the unions would not violate contracts and because resolute Labour leaders in the East would give no support to the Calgary movement. Although the metal workers of Toronto have been out for six or seven weeks, the employers remain resolute not to concede a 44-hour week, which constitutes the vital difference between the contending forces. Toronto is also afflicted with strikes of teamsters and garment workers, and for nearly two weeks the city was sorely inconvenienced by a strike of the motormen and conductors of the Street Railway. There have been strikes also in Montreal, that in the Vickers Company of considerable duration, but industrial peace has been generally restored. During June there were 80 strikes in the Dominion, involving 87,917 workers and causing a loss of 1,445,021

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working days, as compared with 84 strikes, affecting 77,688 workers, with a loss of 893,816 working days in May, and 32 strikes, involving 11,888 workers, with a loss of 46,941 working days in June, 1918. It is estimated that the losses upon projects of construction and in interruption of industries through Labour disturbances will total \$100,000,000. At the moment there is not a great deal of unemployment, but there is apprehension that a less satisfactory situation may develop during the winter when the whole army has been repatriated and the demand for employment will have materially increased. Naturally, confidence was shaken by the conflict at Winnipeg and unsettled conditions in the older Provinces. As a result industries hesitated at new contracts and undertakings were delayed which under more favourable circumstances would be using surplus labour and stimulating commercial and industrial activity.

The Government has called a conference of industrial leaders and representatives of Labour to consider the report of the Industrial Commission and the national outlook. Although the report of the Commission was not unanimous, there seems to be very general support for many of its recommendations. Among these are an eight-hour day, minimum wages for girls, women and unskilled workers, public works as required to relieve unemployment, recognition of Labour unions and collective bargaining, State insurance against old age, sickness and unemployment, joint industrial councils, and public assistance to provide homes for workers. It is also suggested that full freedom of Press and speech should be restored, and that the system of proportional representation should be applied in Parliamentary elections. The Government has also obtained power from Parliament to constitute a Board of Commerce with authority to restrain or prohibit combinations in restraint of trade, to authorise the importation of goods affected by combinations free of duty or at a lower rate of duty, to restrain or prohibit "the making or taking of

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unfair profits for or upon the holding or disposing of necessities of life as in the opinion of the Board are designed or calculated to unfairly enhance the cost or price of such necessities of life." It may also authorise the Government to apply to the Exchequer Court for revocation of a patent if it appears that the patent is used to injure trade or limit production. During the session of Parliament a committee conducted an inquiry into prices and profits. In some cases it was established that very large profits were realised by various manufacturers, chiefly, however, through volume of production rather than through extortionate charges. But there is deep and general feeling over the excessive cost of living, and Parliament had practically no option but to create machinery which may or may not be effective in regulating prices and profits for the future.

No general revision of the tariff was attempted, but there were reductions of duties, chiefly on farm implements, which will involve a loss of \$17,000,000 in revenue. The measure of reduction, however, was not satisfactory to a group of Western Unionists who are committed to the platform of the Grain Growers and demand a far more radical revision of the tariff. During the recess the Government will conduct an inquiry into industrial conditions. Even manufacturers admit that a general revision of the tariff is necessary. There is no prospect that the full demand of the Grain Growers will be conceded, but it is not impossible that a tariff may be devised which will give relief to Western consumers and yet afford necessary protection to Eastern industries. The public debt, which was \$336,000,000 when the war began, is now \$2,000,000,000, and it is believed that considerations of revenue and the necessity for stimulating domestic manufacture require a fiscal policy which will give substantial protection to manufacturers. It is vital during the period of reconstruction that industrial stability should be maintained, and with rising wages, an unfavourable exchange market, and heavy public obligations, the national interest seems to demand

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greater production alike in field and factory and an adjustment of customs duties which will stimulate industry and increase the public revenues.

The Unionist parliamentary caucus resolved to organise as a national party under Sir Robert Borden. It is understood that the Prime Minister would have stood aside for any successor upon whom the caucus could agree. But the caucus was unyielding, and he submitted. He has borne the long strain of the war with courage and fortitude. He has such authority in the country as no other man possesses. He eschews all the artifices of the politician, but holds in remarkable degree the respect and confidence of the people. There will be an immediate reorganisation of the Cabinet in the spirit in which the Coalition was effected. Probably in the Government as reconstituted there will be an equal representation of Liberals and Conservatives. There is a strong desire even among Unionists that Quebec should have adequate representation in the reorganised Cabinet, but it is still doubtful if a Unionist candidate could be elected in any Quebec constituency. The resignation of Sir Thomas White is deeply and generally regretted. No other Minister of Finance since Confederation has shown greater capacity in office, and the universal feeling is that his services during the war were of incalculable advantage to Canada. Never altogether happy in politics, although he was singularly influential in Parliament, effective on the platform and popular in the constituencies, he retires wholly for private reasons, and ends by his own choice a public career, of too short duration, as fruitful and honourable as any in Canadian history. By-elections will follow the reorganisation of the Cabinet, but in the unsettled condition of public feeling it would be rash to predict the result in any constituency. There is, however, no prospect that the Government will be endangered by any losses that may be sustained, and neither Liberals nor Unionists desire an immediate General Election.

Canada. July, 1919.

AUSTRALIA

I. CONSTITUTIONAL REVISION

THE people of the Australian Colonies made a great experiment when, nearly twenty years ago, each of the Colonies gave up the simplicity of its self-contained Government, modelled on the Parliamentary sovereignty of the British system, and entered a federation with its limitations on legislative power and the consequent submission of legislative acts to judicial review. Various unsuccessful attempts have been made to amend the Constitution in the direction of enlarging the powers of the Commonwealth Parliament, so as to bring within its scope great and important matters which still belong exclusively to the States.* In all these attempts the contests were essentially on party lines and were unfavourable to a reasoned consideration of federalism as an experiment in government. The determining factors both in the promotion and the defeat of the amendments were not so much the appropriateness of the matter for a central or a local legislature, but first the fact that in the States the Legislative Councils are a not always surmountable barrier to "advanced" legislation, while in the Commonwealth Parliament the Senate is a body peculiarly likely to be under the control of a highly organised party such as the Labour Party has been; and secondly, the desire to remove every obstacle to access to the Commonwealth Arbitration Court.

At the present time the notion of "reconstruction"

* THE ROUND TABLE; Vol. I., pp. 329, 500; Vol. III., pp. 537, 725.

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involves amongst other things a vague general expectation of some revision of forms of government, and the almost unlimited powers exercised during the war by the Commonwealth Government have accustomed the people to the notion of an extended sphere of authority for the Commonwealth Parliament. The growth of financial burdens is another force which turns people's minds towards simplicity and concentration as a means of promoting economy in government. When federation was brought about, it was contemplated that the Commonwealth Government would maintain itself and the services for which it was responsible out of a fraction of the customs and excise revenue, and would be able to make over the greater part of that revenue to the States Governments, who would also have available the whole resources of direct taxation and the borrowing power. Now, the Commonwealth Government takes a land tax, an income tax (with war profits), and death duties, and competes with and aspires to control the States in the matter of loans. Lastly, the arrangement under which the States receive 25s. per head of population from the Commonwealth out of the customs and excise revenue expires in 1920, and the Commonwealth Treasurer has propounded a scheme for reducing the grant out of "surplus revenue" by 2s. 6d. in each year until it is reduced to 10s. in 1926, at which amount he proposes it should rest for five years. Thus the States Governments find themselves attacked in all their sources of revenue, while their commitments for past expenditure out of loans remain and their responsibilities for development grow. In these circumstances it is not surprising that States Governments should be uneasy concerning the future, and it is significant that State Premiers and Ministers are amongst those who are talking of constitutional revision. It is natural also that the standpoint should be the interests of particular States, and the object to secure a re-adjustment favourable to the promotion of those interests and the removal of their several grievances.

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The subject of constitutional revision thus enters upon a new phase. Western Australia, by way of calling attention to her condition, holds meetings in favour of secession. Her main grievance is the loss of revenue through inter-State free trade ; and to federation she attributes also her commercial and industrial dependence on New South Wales and Victoria. War measures have accentuated this grievance : she finds the export of her metallic ores to profitable markets prohibited in order to foster the development of Australian smelting established in the Eastern States ; the Commonwealth Government in the interest of Queensland sugar forbids her to supply her own needs by importation from abroad, while it is itself importing sugar into the Eastern States, sugar that sometimes has passed Western Australian ports and has to be re-shipped to reach the West Australian consumer. But the main trouble is financial. Western Australia during the Scaddan Ministry borrowed and spent money royally ; her gold industry has declined, and her expenditure designed to stimulate substitute industries has not been markedly successful in attaining its end. Sentiment may talk of State right and secession, but a more reasoned view asks for some re-adjustment of burdens in the Commonwealth to the relief of the State, and a revision of the Constitution so as to ensure a proper representation of State interests and State point of view—the object which the Senate was designed to serve, and which it has failed to fulfil.

Tasmania is also an aggrieved State. She is deprived of shipping, and she complains that the Commonwealth Government does nothing either to carry her fruit products or to establish the pool which the interests of the larger States were able to secure for their wheat and their wool. She, too, demands that the representation of State interests shall be a reality, even if it be necessary for Tasmanian members to put aside their party allegiance and turn out a Government !

The shipping grievance of Tasmania introduces a matter

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of more general interest. The epidemic of influenza, which has taken a serious hold in Australia, furnished occasion for the exercise of the quarantine powers of the Commonwealth Government. Some of the States Governments, however, were not satisfied with the measures taken by the Commonwealth Government and proceeded to the imposition of drastic restrictions of their own upon inter-State traffic. The action of some States Governments and the inaction of others have raised the feeling of State against State to a higher pitch than has been known for many years; and it is possible that, if the Commonwealth Government in the earlier stages had attempted to supersede the States, the Government of New South Wales would have refused to recognise its authority, and would have been supported by the public opinion of the State.

The pursuit by each State of its own policy and the inability of the States and Commonwealth Governments to agree upon a common line of action have dislocated the whole shipping arrangements of the Commonwealth and produced a coal famine which has conduced to industrial trouble.

The interruption and suspension of inter-State traffic by the acts of the States Governments raises serious questions of their authority to impose such restrictions in view of the provision of Section 92 of the Constitution establishing the freedom of trade, commerce and intercourse among the States. The decisions of the High Court leave it open whether the provision prevents States closing their borders as a measure of sanitary precaution. But in another respect the High Court decisions have supported action by the State which enables it to defeat the purpose of the provision. When the New South Wales Government acquired the whole wheat crop and thereby prevented the removal of any wheat from the State, even of wheat in transit in fulfilment of contracts already made, the Court held that nothing contained in Section 92 prevented the State from exercising its power of expropriation, although

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the effect was totally to suspend the wheat trade from New South Wales to other States. When in a Queensland case this was carried farther, and the Court held that a State Government with power to acquire a commodity compulsorily might, without exercising the power, lay an embargo on the whole of that commodity in the State, there was a widespread feeling that the freedom of trade within the Commonwealth was insufficiently guarded by the Constitution, and that it was necessary in the common interest that this should be corrected.

In the exercise by the Commonwealth Government of all powers of exceptional legislation necessitated by the war, the power over "naval and military defence" has proved sufficiently expansive to dispel the idea that the Constitution would prove too clumsy an instrument for war, and would leave the Commonwealth Government in fetters at a time when the utmost freedom of discretion is called for. When the High Court held that the Commonwealth Government under the War Precautions Act could fix the retail price of bread throughout Australia it was realised that so long as the war lasted there was little that the Commonwealth could not claim as its own sphere; and, indeed, the miscellaneous character of the War Precautions regulations suggests none of the restrictions of a federal system. The approach of peace, however, raises serious doubts whether some measures which it might be prudent to continue or even dangerous to abrogate at once can be justified under the head of defence when the emergency of war has passed away. Federal Ministers, accustomed to remove every difficulty by the issue of a regulation, may take unkindly to a return to the old *régime* in which they will be subject to the double restraint of Parliament and the Constitution, and some of them view with favour the simplicity of the South African Constitution, which would at any rate relieve them of the fear that their legislation might be disallowed by the Courts. Unification, too, finds some support for the same reason that federation itself did

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amongst those who believe that a reduction of governments is a reduction in the cost of government. The Labour Party has always leaned towards unification.

There have been at all times many who believed that the federal system caused a dissipation of the political interest of the people, and that we have not sufficient available political ability to go round our six State Parliaments with their two Chambers and a Commonwealth Parliament. They believe that our capacity for self-government is strained by the excessive demands made upon it. The Australians are a singularly homogeneous people, and all attempts to distinguish the men of one State from those of another by appearance, habits, speech or outlook mark them the more as one people. Australia itself is thus the only natural basis of self-government. The existence of separate State Governments serves to create or keep alive artificial and narrow differences among them, and sets up a barrier to the natural unity which would otherwise find a complete political expression in a Commonwealth Parliament and Government. The fact that in Victoria, the seat of the Commonwealth Government, the Commonwealth overshadows the State as "the Government," while in other States it is the State Government and Parliament which are the first object of political interest to the mass of the people, is taken to indicate that, given favouring conditions, the Commonwealth Government would draw to itself the whole political interest of the people, to the great gain of our political life by the enlargement of our outlook, the suppression of particularist interests, and the greater attractiveness of politics to men of capacity. Excessive centralisation can be guarded against through the devolution by Parliament from time to time to provincial authorities of such powers and functions as experience may suggest. These powers being held by devolution merely and not under the terms of a Constitution, political issues would become well defined and would escape the present bewildering complication with some of the most difficult of legal problems.

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There are, however, strong reasons and strong influences in favour of the retention of the federal plan. In the first place, the special conditions and influences which recommended the unitary system and made it possible in South Africa—the native question, the dispersal of British and Dutch through the several colonies, and the presence of a large number of persons who could view the matter without local predilections—are not present in Australia. The breaking up of the great States of New South Wales, Queensland and Western Australia into smaller units of government, whether by a Constitution or through devolution, no doubt suggests certain advantages. But the new units would consist of vast territories and sparse populations, and those parts of the country most in need of development would be the least equipped for self-development. If the Commonwealth undertook to govern them as “territories,” the experience of the Northern Territory does not encourage the experiment. Then the Government which undertook development would have to control resources—land, minerals, railways, and so forth. For the Commonwealth Government to sustain the different relations which would be imposed upon it by the varying conditions of the several parts, and at the same time to act as the paramount Government over provincial Governments deeply rooted in highly settled parts of the country, would introduce a complexity which would severely try the capacity of the country both for the political and the administrative part of government. The increased centralisation would attenuate popular control, and in places eliminate it altogether; and the Australian administrative system would have to be radically altered before it would be fit for the multifarious tasks which such a system would impose upon it. The States Governments of whatever party would hardly be favourable to the extinction of the States. The State of New South Wales has never felt that its influence in the Commonwealth Government corresponded with its actual place in Australia; and while the

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fact that the seat of the Commonwealth Government and Parliament is in Melbourne is in part responsible for this, the feeling would not wholly be removed by the transfer of government to Sydney. And the consideration that has so long made New South Wales or at any rate Sydney look upon the Commonwealth Government as essentially government from Victoria is no local idiosyncrasy.

There are certain matters which according to general agreement call for amendment, but opinions will differ as to the extent of amendment. The powers over the Commonwealth in matters of commerce and industry require extension—in commerce so as at the least to bring all shipping within its purview, and not merely the foreign and inter-State shipping to which it is limited at present, and to enable the Commonwealth to make a uniform Companies Law ; in industry, so as to get rid of the irritation and uncertainty that arise from the artificialities surrounding the Commonwealth arbitration power, a matter which is not merely an inconvenience but a danger. More co-operation between the Commonwealth and States Governments is called for ; and while this is a matter for good sense and good-will in government rather than for an alteration of the powers of government, still in such matters as the assessment and collection of taxation and a common electoral law and administration, such co-operation must, as a practical matter, be provided for in the Constitution. Lastly, the formal division of Commonwealth powers into legislative, executive and judicial with corresponding separate organs is one which accords ill with Cabinet government or with the modern developments of administration. As a general political principle the distinction is valuable, and is indeed essential to all free government. But adopted as a legal distinction, the subject of precise determination in particular cases, it promotes uncertainty only to be dispelled in nice and artificial considerations after costly litigation. The Commonwealth Constitution may here well abandon the American model and return to

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the more familiar practice in the States Constitutions, where the distribution of functions among legislature, executive and judiciary is left to the discretion of Parliament. This would, of course, not impair the function of the judicature in determining questions of power as between the Commonwealth and the States, a function which, amongst a people accustomed at once to Parliamentary sovereignty and the rule of law, could hardly be abandoned without the abandonment of the federal system.

The Constitution provides a method for its own amendment, which—as already mentioned—has more than once been resorted to. It is, however, probably available only for alterations which are within the limits of a “federal Commonwealth,” and what is the essence of a “federal Commonwealth” is a matter so uncertain that it would not be safe to use the machinery for any general revision of the Constitution. For such a general revision the proper course would be to recur to the method used when the Commonwealth was established—the election or appointment of a Convention whose labours should ultimately, after approval by the people, receive their authority from an Act of the Imperial Parliament. Political combine with legal reasons to make this course expedient. The body charged with the work of revision should contain not merely the experience to be found in the Commonwealth Parliament and Government, but also the ability and experience as well as the points of view to be found in the States Governments and Parliaments. The Commonwealth Government and Parliament does not overshadow the States at the present time in point of ability, and its consideration of the subject—if the Commonwealth Parliament were the sole constituent body—would be largely affected by the tendency of most authorities to favour the utmost augmentation of their own powers.

One last consideration is this. Before the Commonwealth is in a position to determine the distribution of powers within its borders, it must know what its powers and

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responsibilities are to be. The recent changes effected in the status of the Dominions and their relations with the Empire and the world leave these matters in an uncertain and fluid condition. What her position is to be in the future, and what are the tasks and responsibilities she is to undertake, is a matter knowledge of which should underlie any revision of her instrument of self-government. It would seem, then, that any general revision of the Commonwealth Constitution should await the results at least of the Imperial Conference, and any action that may have to be taken thereon.

II. THE ONE BIG UNION MOVEMENT

THE views expressed in the last number of THE ROUND TABLE as to the probable course of the One Big Union Movement in Australia have been justified by subsequent events. "The Workers' Industrial Union of Australia"—the title adopted for the One Big Union—has not only developed serious internal difficulties of its own, but it has received only partial support from the trade unions throughout the Commonwealth and determined opposition from the Australian Workers' Union, whose hostility will probably be fatal to the present movement. About the middle of May the federal council of the A.W.U. issued a manifesto to its members, announcing the rejection of the O.B.U. scheme, and criticising it in scathing terms. The manifesto stated that the preamble and constitution adopted at the O.B.U. Congress were the same as those of the American I.W.W., with slight changes in punctuation and terms. Long extracts of the I.W.W. constitution were taken without acknowledgment and placed on the agenda of Australian Trades and Labour Councils, all this being put forth as "the work of the brains of the drafters" without a blush. The A.W.U. council then condemned the I.W.W. as a parasite upon labour, and charged it with causing only

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bitter divisions in the movement. The council further declared that the A.W.U. was an advocate of the One Big Union ideal, but only upon Australian lines suitable to the circumstances and needs of Australian industrial unionism. The following quotation from the manifesto sums up the attitude of orthodox unionism to the O.B.U., and incidentally claims the A.W.U. to be the true O.B.U.

If the tactics of the "jaw-waggers" of other countries are to be pursued and persisted in in Australia (and the signs are not wanting), then dissension and disruption will be introduced here, and insidious charges of "fakers, thieves, tools of capitalists, etc.," will be promiscuously hurled at all union officials. We ask members of the A.W.U. to treat the taunts and sneers of such traducers with the contempt they deserve and give them no quarter. We urge the members to devote their time and energy to advocating the principle of industrial unionism on sane lines suitable to Australian circumstances and conditions; to building up the organisation and vitalising the propaganda, and appealing to the intelligence and solidarity of their fellows, and not waste time in seeking to disrupt and destroy existing unions. The door of the A.W.U. is open to such of those existing unions who decide for themselves that their industrial interests can be better served by their inclusion in our organisation.

One or two of the larger industrial unions, such as the Victorian Railways Union, have, nevertheless, declared themselves in favour of the One Big Union. But throughout the Commonwealth as a whole, the unions are generally apathetic, distrustful or hostile. A clear indication of the position is given in the fact that several of the officers of the O.B.U. have resigned, and that the organisation is having some difficulty in collecting from the unions the necessary expenses of its meetings.

As was pointed out in the previous article, the opposition of the Australian Labour Party—the political organisation of the Commonwealth Labour Movement—was certain to be formidable. In addition to the denunciations of O.B.U. methods, uttered by the Labour Acting-Premier of Queensland and by the Leader of the Labour Opposition in the Parliament of New South Wales, the Leader of the Labour

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Party in Tasmania has spoken still more strongly in the same sense in his policy speech for the approaching General Election. The Commonwealth General Election will take place next year, and already the speeches and writings of Labour leaders give plain evidence of their desire to escape association in the minds of the people with anything so revolutionary as the O.B.U.

The failure of the One Big Union Movement now seems inevitable, and will surprise no one who follows the industrial politics of Australia. The revolutionaries are a mere handful, and though occasional outbreaks and widespread strikes seem to prove the contrary, the average Australian worker is no more than a moderate radical and returns to constitutional courses.

Australia. June, 1919.

SOUTH AFRICA

EDUCATION AND EMPIRE

IT is as natural as true that education in the Dominions is not yet up to the level of education in the Mother Country. And though every year our education is advancing, there must elapse a long period before it can be brought up to the level desired. Nevertheless, in one respect at least, the young South African is being better equipped for the duties of citizenship than is his fellow in Britain. For some years an effort, and a successful effort, has been made to put the study of history in the schools on to the right lines. The great majority of parents who desire to educate their children efficiently insist on matriculation at one of the three Universities ; and this matriculation is managed by a joint board on behalf of the Universities. This Board has decided to insist in the study of history, first on a thorough knowledge of the history of South Africa, and particularly on the growth of its constitution ; secondly, on a study of the growth of Empire resulting in particular from the war of the Spanish Succession, the Seven Years' War, the War of American Independence and the Napoleonic Wars ; thirdly, on a study of the great industrial revolution ; and lastly, on a knowledge of the growth of democracy in Europe connected with the revolutions of 1830 and 1848, and the *risorgimento* in Italy. Such historical knowledge is invaluable for the training of a good citizen, and those who

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are familiar with the results of the last decade see hopeful signs that this knowledge is spreading year by year. There are many difficulties to be faced; political difficulties raised by that section of the people that smells "jingoism" whenever it hears the word "Empire" used; educational difficulties, due to the impossibility of obtaining experts in historical teaching outside the larger schools; social difficulties, due to the restricted horizon of many teachers and the ensuing narrowness of vision. But these difficulties are being overcome, and if the Board perseveres in its present attitude there is every hope that the young South African will at least have a rough historical knowledge sufficient to enable him to gain a perception of the part he ought to play as a citizen in a great Commonwealth of Nations.

And it is a matter for deep thankfulness that this should be so now when the very foundations of the world are shaken by war and revolution. A great impulse towards far-reaching social changes is everywhere apparent. It cannot be stayed, but it can be directed into useful and healthy channels if men have the courage and the wisdom to face the realities of the new era.

Since August, 1914, the South African schools have been sending abroad a steady flow of young men to play their part in the world contest, who are capable of thinking about the great problems that they, in common with the rest of the world, will have to face. It is common knowledge that they have played no mean part in the struggle, but owing to the smallness of the South African Brigade it is not generally realised in how large numbers they have responded to the call of duty. In England the nearness of the Western front tended to obscure the vision of other fronts, and to make men forget that large numbers of South Africans have been fighting in German East Africa and Palestine. Again, even where these facts are not obscured, there is little knowledge of the extent to which men have gone overseas and taken commissions

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in the Imperial forces at their own expense. For example, take the figures of the foremost schools, the Diocesan College at Rondebosch, the South African College School at Cape Town, and St. Andrew's College at Grahamstown. From each of these somewhere about a thousand *alumni* have served, perhaps as many as half in other than South African units. From St. Andrew's College alone there have been 120 commissions in the Royal Air Force.

The effect on South Africa and the Empire is bound to be felt; for all these young men, and particularly those who went overseas independently, have mixed with all sorts and conditions of men, and have gained a wider knowledge and a broader horizon such as must necessarily strengthen the connection between their own land and the centre of the Empire to which they belong. For they possess that historical knowledge which, even if they do not themselves recognise the fact, is bound to give them power to think. The results are often to be seen in letters from the front. Men say plainly that they would not have missed the great opportunity for worlds; that they stand amazed at the smallness of their former ideals, and even more amazed at the vastness of the possibilities that lie before them. And such remarks bring hope and strengthen faith in the hearts of those who know this country. These men have learned to appreciate the courage, the generosity and the bull-dog qualities of the British soldier, who formerly to many of them was a man in khaki prone to fling his kit about the veld. They have learned to appreciate the stubborn will to victory and the equally stubborn courage in adversity of the British workman, who to many was little more than an underpaid slave. Many of them had been brought up on stories of the British officer and public-schoolboy, relics of his mistakes and follies in the Boer war, and have been surprised to find the gold that underlies the dross. And lastly, the hospitality and courtesy and kindliness of the

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country gentleman who received these strangers from overseas as honoured guests have been a revelation to many. The result of it all is mutual affection and mutual esteem.

The new order, then, starts with this bond between the young men of the Dominions and the Mother Country, a bond not altogether new but vastly strengthened. And it is the business of the schools and universities to do what in them lies to further so excellent a beginning of the post-war world so far as the connection between the partners in the Empire is concerned.

One means of doing this is in the hands of colonial parents and schoolmasters. While it is right that their young men should be educated with those who are to be their friends and neighbours in after life, there is much to be said for sending them away from home for three or four years to the British universities, where they will obtain a breadth of vision that cannot be secured at home. The scheme of the great Empire builder, so ably administered by the Rhodes Trustees, aims at giving the pick of our young men just this opportunity. And the time is surely at hand when the older universities will do more towards welcoming these students from overseas, for instance, by abolishing the demand for Greek, a language very little studied in the Dominions. It is unthinkable that the young Colonial should be handicapped much longer by having to spend six valuable months in imbibing such scant knowledge of a language as will enable him to satisfy the entrance examiners at Oxford or Cambridge, though he is otherwise perfectly well qualified to pursue the branch of study which is to fit him for his work in life.

A second means of strengthening the Imperial bond is in the hands of the Government in Britain. These young men, who have proved themselves good enough to fight and to command, are also good enough to be admitted on equal terms with British boys to the Army and Navy and the Civil Service throughout the Empire. This right has in the past been somewhat grudgingly recognised by

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admitting to the Army and Navy a restricted number of boys on terms suitable to the education procurable in the Dominions. But if a boy goes to England to compete for Woolwich or Sandhurst he is not only worried by being faced with an examination set on purely English lines, but also starts with an adverse handicap of 400 marks granted to efficients from the Junior Officers Training Corps, but not granted to him, though he may have been an efficient cadet of many years' standing in his own Dominion. Again, Rhodesia and the territories provide ample proof of the efficiency and zeal in administration of young men educated in this country; yet if such young men wish to compete for the Indian or Colonial Civil Service they are faced with the same handicap. Their education has been on different lines to that of the British competitor; it is probably less good, through no fault of their own. The maintenance of standards must be safeguarded, but the time has surely come when steps should be taken to secure that the system of admission to these Imperial Services should be such as to enable all the young citizens of the Empire to take their share in the privileges and burdens of Empire.

This question of participation in the work of governing Dependencies and Protectorates is a matter of common interest to all the Dominions, but of special interest to South Africa, and of great importance to the future of the vast African territories for the good government of which the British Commonwealth is now responsible. It is not only a question of providing careers for young South Africans or of enabling the Imperial Services to draw a supply of recruits from a promising source. The responsibilities for native administration in the African territories under British rule are divided between the Government of the Union and the Imperial Government. The Union's share of those responsibilities is now increased by the taking over of South-West Africa, and, apart from the question of the future of Rhodesia, may eventually

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be still further increased by the taking over from the Imperial Government of the native territories referred to in Section 151 of the South Africa Act—Basutoland, the Bechuanaland Protectorate and Swaziland—to which the special provisions in the schedule to that Act are intended to apply. It is of the utmost importance to secure a community of standards and ideals between South African officials serving in territories controlled by the Government of the Union, and members of the Colonial Civil Services in the African territories administered by the Colonial Office, to which German East Africa is now to be added. The admission of South Africans to these services is one effective means of securing such a community of standards and ideals. Another would be the provision both in England and South Africa of special facilities for the training of men, who are to undertake the work of native administration in Africa, in institutions where the British-born and the South African candidate could study side by side, and form friendships which would have a healthy and stimulating influence in their after careers. It may be said with truth that the early environment of the young South African in the rural districts of the Union tends to develop many of the qualities and aptitudes needed for the work of native administration in Africa, but hitherto there has been a sad lack of facilities in South Africa for any specialised training for this work. If that training can in future be provided under conditions which will bring the South African student into contact with men of his own age from the old country, who are seeking to fit themselves for similar work, each will find much that he can learn from the other, and the comradeship of the training camp and the battlefield will find its counterpart in a field of service where a like inspiration to heroic endeavour is not less needed, and may be equally fruitful in result. It is to be hoped that South African Universities would show their readiness to play an active part in any such joint scheme of training for the work of native administration.

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Lastly, there is a scheme, interrupted by the war, for strengthening the bonds between the Dominions and the old country which calls for some effort and sacrifice on the part of the schools. To the schoolmaster, in a particular degree, belongs the work of seizing on the material which at the present time is offering itself, of maturing it and making it permanent, because to him is the empire of the mind at a time when the mind is most susceptible to the influences that are brought to bear on it. This is the motive which led to the idea of an interchange of masters between Colonial and English schools. Both have much to gain. The Colonial schoolmaster is apt to have his intellectual ideal limited by the standard of local university examinations, to have too slack a conception of discipline due to the greater freedom of Colonial life, and to have his experience of life and education limited to that which he has gained at the local school and the university which is often situated in the same town. The schoolmasters who have had the good fortune to be educated at a Colonial school and an English university are as yet very few. The English schoolmaster, on the other hand, is sometimes accused of too close an adherence to type and a too rigid conventionality. His environment tends to produce a narrow outlook and to leave him in dangerous ignorance of things connected with the great Dominions beyond the seas. He is often bound by an organisation which tends to hamper personality and initiative. Such an exchange as is proposed would do much to raise the professional level and the standard of education in the Dominions and to check the materialistic tendency to devote time at school mainly to studies from which some immediate advantage is expected. And on the other hand, no man could return from two or three years at a Colonial school and fail to do something to disperse the ignorance and carelessness about Colonial affairs which are too prevalent in English schools. He will have been impressed by the vigour of life and the comparative freedom from con-

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ventionality existing in Colonial schools, and he will have acquired a fresh outlook and a breadth of vision which will make him ill content with the somewhat cramped influences of his English class-room. There are difficulties to be faced, particularly in the Dominions. In South Africa even the best schools are often small, with correspondingly small staffs, and headmasters will be reluctant to let their best men go, and it will only be of value to send the best. This difficulty would not be felt in the great schools in England, where the staffs are large and consist of picked men. There would inevitably be financial difficulties, and there would probably be some reluctance in England to accept men with Colonial degrees. But these are difficulties which can be overcome and ought to be overcome, seeing that the scheme may do so much towards strengthening the bond between the Mother Country and the Dominions.

The war has brought forth mutual appreciation and respect between the fighting men of British and Colonial birth. By the pursuit of suggestions such as have been here sketched, the schools and universities have a great opportunity of doing their part, and it will be no mean part, towards strengthening and making permanent bonds which are already in existence, based on a true conception of citizenship. To such a conception the old spirit of selfish competition is utterly foreign, because its foundations are based on the new spirit of duty and sacrifice, the only spirit that can help us to steer successfully through the troubled waters ahead of us.

South Africa. June, 1919. }

NEW ZEALAND

I. THE SAMOAN MANDATE

THE one aspect of the peace settlement which the people of New Zealand had awaited with a lively personal apprehension was the disposal of Germany's Pacific territories. The ideal solution of the problem from their standpoint would have been one which added the best parts of these territories, and especially New Guinea and Samoa, to the British Empire without extending the Japanese sphere of influence any nearer to Australasia. But the one essential point was that Germany should not again be given a foothold in the Pacific, and the apparent unanimity of the Peace Conference on this point speedily relieved us of our main anxiety. The choice between British annexation and international control, or even, so far as Samoa is concerned, of American control, was a relatively small matter. The admission of Japan to a share in the fruits of victory was recognised as the inevitable result of her loyal comradeship in the war. With their main point conceded, our people are not worrying even about so considerable a point as this. Their only worry is that they are getting a good deal more than they bargained for.

In all our agitation about Samoa the very last thing that we contemplated was the undertaking of any direct responsibility in regard to it. Annexation to the British Empire was generally desired, but annexation to New Zealand was not advocated nor even discussed. It was supposed that Great Britain would take charge of German Samoa and

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administer it like Fiji, an arrangement which would protect us from a peril of the first magnitude while leaving it to others to bear the burden and pay the bill. To find that by accepting a mandate from the Peace Conference our leaders have saddled us with what may prove to be an onerous and costly responsibility has therefore come as an unpleasant surprise, and they have been charged with "a desire for the acquisition of undesirable territory" even by those who share the general conviction that the exclusion of the Germans was a life-and-death matter. The *New Zealand Times* considers that we cannot afford to accept the trust; that our failure in the Cook Islands has proved our incapacity to discharge it, whereas Britain has both the financial and the administrative resources that are needed, and that, failing Britain, the United States might be asked to undertake the work. The *Auckland Star* points out the difficulties of the coloured labour problem and its antagonism to our ideal of a White New Zealand; the *Evening Post* considers that the responsibility, though unpleasant, will be good for us; that having clamoured so loudly for the exclusion of the Germans, we cannot in decency decline the burden of an alternative policy, and that the only point on which the action of our representatives at the Conference requires explanation is as to whether they set up our claims in opposition to those of Britain.

In an official message dispatched from London on April 8, Mr. Massey replied to his critics, paying special attention to the last point, and dealing with it as follows:—

Mr. Massey states that he would be agreeable to a purely British control, but, as previously explained, the Allied Powers are opposed to the direct annexation of former German Colonies. Therefore, there is no alternative to a New Zealand mandatory control except the probability of similar occupation by a Power other than the British Empire. "This, in the circumstances," says Mr. Massey, "is surely an unthinkable humiliation."

It is quite clear that the justification of our representatives against the charge of rushing us into responsibilities

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of which they had not said a word before they reached Paris is complete if British control was impossible and New Zealand had to fill the gap in order to prevent a foreign Power from stepping in. But it is not so clear that this is what the explanation means, though some of the Prime Minister's critics have so accepted it. Unless it is shown that Britain was absolutely barred by an attitude on the part of foreign Powers, from which New Zealand was exempt, our people are likely to resent the responsibilities to which they have been committed. But this does not mean that the experience will not, as the *Post* says, be good for them, or that their original programme, under which they would have got the benefit of a non-German Samoa while others bore the burden of administration, would really have been a more equitable and businesslike arrangement.

II. THE LICENSING POLL

THE licensing poll, for which Parliament made special provision during its last session in the circumstances mentioned in the June number of *THE ROUND TABLE*, was taken on April 10. It was unique in many respects. It was the first such poll at which national option, first introduced in 1910, superseded local option altogether; the first at which the right to prohibit was exercisable by a bare majority, and the first at which the principle of compensation was recognised. In the last respect the April poll is likely to remain unique. Under the legislation of 1910, as under the local option legislation from 1893 onwards, no right to compensation was recognised, but in lieu thereof the Trade was given an interval of $4\frac{1}{2}$ years between the carrying of the vote for prohibition and the putting of it into operation. Pursuant to the recommendation of the National Efficiency Board the Act of 1918, while making the vote immediately effective, provided the Trade with

The Licensing Poll

compensation for the abolition of the time limit, and fixed the maximum of the amount so payable at £4,500,000. The lead of the National Efficiency Board and the acceptance of the principle of compensation gave the Prohibitionists the great advantage of a large accession of strength from business men who had previously held aloof but now organised National Efficiency Leagues to fight side by side with the Prohibitionist organisations. But the watchword of efficiency for the winning of the war, which was the keynote of the National Efficiency Board's report, had spent its force by the time the poll was taken, and the skilful appeal to the fears of the tax-payer which the advocates of the Trade were able to base upon the cost of compensation has probably convinced both parties to the alliance that the concession did them more harm than good.

Another respect in which the recent contest was unique is in the interest which it excited. From 1896 onward the licensing polls had been taken on the day of the General Election in order to ensure a full vote. In recent years the force of this argument had been much weakened by the fact that interest in the licensing poll had sometimes dwarfed that of the political campaign. The power of the licensing question to attract the electors without the aid of the politicians was sufficiently demonstrated on the present occasion. Never did any campaign in this country excite so keen an interest, fill so much space in the newspapers, or induce so lavish an expenditure of money. The last of its unique features was the taking of the votes of from 40,000 to 45,000 soldiers, mostly overseas, the possibility that they might reverse the civilian vote, and the probability that they would do so unless the civilians polled a large majority for Prohibition. This is what actually happened. The result, as unofficially declared on the night of the poll, gave Prohibition a majority of 13,896. The soldiers' votes, which began to come in a week later, showed a majority of nearly 4 to 1 for Continuance, and this proportion was pretty consistently

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maintained. The ultimate result was that Continuance secured a majority of 10,362, the details being as follows :

		<i>Civilian Votes.</i>	<i>Soldiers' Votes.</i>	<i>Aggregate Votes.</i>
Continuance	...	232,208	31,981	264,189
Prohibition	...	246,104	7,723	253,827
Majority for				
Continuance	...		24,258	
Prohibition	...	13,896		

III. THE PROVINCE OF THE STATE

WHILE, as is only natural owing to the prolonged absence from the Dominion of the party leaders, party politics are stagnant, yet it cannot be said that in the wider and original sense of the word the same immobility prevails ; in fact, there has hardly been a time since the political revolution of the early "nineties" in which there has been so much subconscious ferment, and though as yet definite politics cannot be said to have emerged, there is a clear disposition to bring to light certain latent assumptions that have lain behind much of our social and governmental policy in the past, and to subject them to a somewhat more critical analysis than they have as yet experienced.

New Zealand, far advanced as she is in the direction of State Socialism, has never taken the trouble to think out her policy in this direction, or, for that matter, in any direction ; we have never turned the introspective gaze upon ourselves, and it was largely for this reason that so keen an observer as the late M. Metin described us as "*Socialistes sans doctrines*." It has been the policy of the country to tackle one problem after another as it rose into practical urgency or became a matter of political expediency, and in this way we have built up a great body of empirical legislation and precedent which, while not

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socialistic in the more technical sense of the term, is yet inspired by the same desire to equalise conditions as actuates much contemporary socialistic aspiration. All this legislation has so far lacked a co-ordinated theory to back it; but it might for present purposes be divided into three classes: (a) the undertaking by the State of functions, mainly of an economic character, that hitherto in most countries have been left largely in private hands; (b) the deliberate utilisation of the taxing power not exclusively or even mainly for fiscal purposes, but in order to attain such aims of general policy as the closer settlement of the land and a periodical redistribution of aggregated wealth; and (c) the industrial code, purporting to secure and enforce industrial peace, to condition competition, and to mitigate the asperities of industrialism.

In regard to the first of these lines of legislation, it is probable that it has all along met with the acquiescence if not the approval of the bulk of the people, and the future may witness large extensions of the scope of State or municipal enterprise, for, of course, from the economic point of view municipal activity is State activity. In addition to the control and operation of the so-called public utility services, the State, either national or local, is now prepared to undertake the whole range of business activities, from the supply of milk to the provision of a line of ships to carry our produce to the markets of the world, and it may be said that the principle of State industrial enterprise is accepted with approval by the community, and that in any given case an objection turns not on the principle but on expediency as regards the particular matter in hand. This same tendency, too, is bound to receive an acceleration from the ever-strengthening pressure of Labour opinion, for this party is a strong advocate of all forms of State industrial activity, and indeed possesses in this portion of its programme a powerful lever to move public opinion in its favour, while as regards the scope of State enterprise it certainly appears to know its

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own mind, as the following extract from its official programme makes clear :

State Ownership :

1. The immediate establishment of a State bank.
2. Establishment of State farms for the purpose of producing the people's foodstuffs.
3. State-owned shipping services.
4. State control of all branches of insurance.
5. Development of our present State coal mines, factories, farms, and industrial services.
6. State control of the liquor trade at the option of the electors.
7. The extension of the public ownership of natural utilities, and the speedy national control of the food supplies of the people.
8. Nationalisation of the medical service and free medical attendance.

This is, of course, a programme of extreme State Socialism, and is advocated, curiously enough, by the Marxian Socialist element in politics, though one would expect that State capitalism would be as repugnant to them as private capitalism, and, from their point of view, much more dangerous. The astonishing thing, however, is that, in recent by-elections in which Labour has contested a seat, for the most part successfully, the above platform, though open at some points to most destructive criticism, was apparently never attacked at all by the politicians and Press opposed to Labour, which might be taken to show that a drastic form of State intervention in industry is too popular in the electorates to be attacked, though, of course, such an inference is highly disputable. This is not to assume that all the enumerated demands for State intervention are regarded as practicable, but merely that the principle is popular, is growing in public favour, and is likely to be extended, while the idea of the State bank and State shipping line, strongly advocated by Labour, is certainly popular among the powerful farming interest, and, indeed, has recently been seriously discussed at a provincial conference of the Farmers' Union, and members

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of the National Government are hinting at a State bank. We may, then, take it as assured that the tendency of recent events is to confirm New Zealand in its bias towards governmental economic operations, and that such is the settled policy of the nation. We are not, of course, here attempting to assess the validity or desirability of such a policy, but merely to elucidate the trend of events and opinion.

Coming to the second line of State economic interference, that of utilising the taxing power for avowedly social purposes, it can be predicated also with some measure of confidence that this policy is more popular than ever. For several decades it has been the policy of the State to impose graduated taxation on land, partly with a view to revenue, but chiefly to stimulate the deaggregation of large estates. In theory it is hard to dissent from the dictum in this connection of one of our most distinguished living economists :

The taxing power has often been employed to encourage industry, to improve taste, to benefit health, or to elevate morals, but in none of these applications has the desired success been attained. There is, therefore, a strong presumption against its use as an agent for remedying the inequalities of wealth. Its definite and universally recognised function is the supply of adequate funds for the public services. To mix up with one very important object another different and perhaps incompatible one, is to run the risk of failing in both. It is within the power of financial skill to so select the forms and rates of taxation as to secure the requisite amount without unfair pressure on any class, but if the ulterior effects on the distribution of wealth have to be considered, and adjustments made to attain particular ends in that respect, the difficulties of the task are enormously increased. If the socialistic regime is the goal to be sought, there are more direct and more effective modes open than the manipulation of taxation.*

No doubt the balance of moderate Conservative opinion would be summarised as above, yet it must be admitted that the use of taxation as a weapon of policy had before

* Bastable, *Public Finance*, 3rd edn., pp. 335-6.

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the war passed, at least nominally, into an accepted political axiom in New Zealand, in spite of the obvious defects of such a course, and the whole movement has been accelerated by the financial pressure of the war with its insatiable demand for funds. In New Zealand the public revenues ultimately come from the source of all of our wealth, the land, while the large landowners are small in number, unpopular as a class, and therefore present an irresistible temptation to a worried Finance Minister in search of funds and unwilling to offend powerful sections of the voters. In view of the facts it is probable that the future will see this policy accentuated not only because of the urgent need for money, but because public opinion looks with a hostile eye on the large landowner holding many thousand acres of land, while the returned soldier has difficulty in securing a footing on the soil of the country he has suffered to defend.

While the events of the war period have increased our national bias in the two directions just indicated, they seem to have had a disturbing effect on a third great line of State economic policy in New Zealand, the labour protective code. This code is in some respects unique, in others similar to the factory legislation of other civilised lands. As far as the Factory Acts strictly so-called are concerned, they have never been seriously questioned, the obvious necessity of setting a lower limit to the competitive process being patent to all, but the same cannot be said for our system of industrial conciliation and arbitration, which, as the result of war conditions, has had its fundamental weaknesses and real impotence rather disconcertingly exposed to the public, though the defects were well known to economists for a long period before that time, and indeed were apparent at the time of the initiation of the legislation.

It is necessary in this connection to go some little way back, in fact, to the political revolution of the early "nineties." Beaten in the great maritime strike of 1890, the

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devastating effects of which were painfully brought home to the whole community, the Labour leaders made what they now see to be the fatal mistake of trying to secure from the State what they should have secured by their own efforts—turned to the political arena, and decided to seek there what they had sought but failed to find on the field of industrial battle. Moreover, they adopted this policy when the condition of politics and, indeed, the economic position of the whole Dominion were about to undergo a great alteration. With the help of Labour, the Liberal party, under Ballance, and later Seddon, were able to seize without serious opposition the reins of government, supported by the small farmer, who was being placed on the resumed estates, and by the town artisan. The result of this co-operation was soon seen in the Industrial Conciliation and Arbitration Act, finally passed in 1894, with the primarily avowed object of preventing strikes and setting up a judicial tribunal to examine into industrial conditions, with the power, after consideration of the whole matter, to fix wages.

This system was enthusiastically seized upon by the unions, and was very soon regulating wage conditions in practically all the industries of the country, while it secured substantial rises in wages for the men in trade after trade. Strikes appeared to have vanished, industry was prospering, and the economic millennium seemed to have appeared; but the apparent success of the Court was illusory, for reasons that are not difficult to detect. In the first place, the long depression of prices, initiated in the early "seventies," came to an end in 1896, from which date prices have been rising, aided by the increasing gold supplies from the Klondyke and the Transvaal, while the progressive perfecting of the refrigerating process enabled New Zealand to find a practically inexhaustible market at rising prices for her staples in the London market. In this way the country grew prosperous, there was lots of money to spend, industry could afford to pay the Arbitration Court wages

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and "pass them on," and for a time contentment increased, but so did the cost of living. The fact is that we had been living in a fool's paradise, spoon-feeding a few exotic and inefficient industries under the shelter of a rigidly protective tariff, and taking no thought for the time, should such ever come, when we would have to operate under a cycle of declining world prices.

About 1908 the transition to stern realities began to make itself felt, and it was seen that wages could not continually keep rising when, taken broadly, the economic tendencies of the period were against such a rise; so that when the workers, pinched by the increased cost of living which was the direct and immediate result of the policy they had favoured, approached the Court for further rises, which could not be granted, the arbitration system, far from being hailed as the friend of the working man, was cursed as the instrument of capitalistic oppression (so short is the convenient memory of man), while, on the other hand, the employers, now looking upon the Act as a force making for stability, gave it a steady support, the industrial rôles thus undergoing a complete *volte face*.

It was, then, gradually dawning upon the country even before the war that the system was merely a disguise, and that behind the statute there was the real economic struggle in the background which the Court could recognise and delimit with comparative precision, but from which it could never depart to any marked extent. When the war broke out the impossibility of the Act proving a flexible instrument was clear; for it began to be seen that to regulate wages you must in the long run regulate interest and rent and profits, in short, the system pushed to its conclusion means the State regulation of the distribution of wealth, and that is simply another word for Socialism. This problem, patent to economists for years, is now clear to the man in the street. Further difficulties have been caused by an Act of last session of Parliament, making it mandatory upon the Court to regulate wages according to

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the cost of living. Here we seem to be back in the Elizabethan age, to which our own times offer many curious analogies, and we can in imagination see Cecil's dispatch to the Justices directing them to summon certain grave and discreet persons, and after taking counsel with them concerning the plenty or scarcity of the time, assess wages accordingly.

A further serious effect of the system has been that it has, to quote Mr. Ramsay Macdonald's opinion, taken the steel out of the unions. It is never good for a man, or a class, or a nation, to allow others to do for it what it should do for itself, and in our country the present position and attitude of Labour present a deplorable example of this. There never was any advantage that the Court secured for Labour that could not and should not have been secured by collective bargaining. Lacking in real function, the unions got out of touch with reality, failed to develop business and political strategy, and became revolutionary and Utopian where what is wanted is the plain flat sense of the business man and the capacity to distinguish between the attainable and impracticable. The result is that the artificial regulative system is breaking down under our eyes, and Labour is not disciplined and trained to take its place in collective bargaining in the manner familiar with the English trade union.

It is probable, in our opinion, that at no distant date the compulsory system will be discarded in favour of a variation, suitable to the conditions of the country, of the Whitley system, based on a minimum wage. The present system misses the human touch so essential to collective bargaining, lacks the flexibility essential for conciliation, and is cumbrous, ineffective, and costly. A very wide interest is being shown in serious Labour circles, and also among employers, in the Whitley system of industrial government, and all available literature dealing with it is in great demand. While prophecy is proverbially unsafe in matters social, a few years will probably see compulsory

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arbitration relegated to the museum of sociological curiosities.

To sum up, it appears that the tendency of political opinion in New Zealand is in favour of further extension of State enterprise and interference, but that the excessive interference with industrial conditions and the artificial atmosphere and futile results created by the arbitration system will cause a revulsion in some directions and a more cautious application of principles in the future. The position of New Zealand in fact is well summarised in the following statement made some years ago by one of the leading members of the then existing Government :—

Thought and experience have shown that in modern nations the system of natural liberty is not a policy of true progress ; that, on the contrary, such progress can be attained only by limiting greatly individual liberty and by eliminating the struggle for a bare existence and removing the competition that gives rise to it. The true policy of progress in modern nations is not the mere protection by the State of legal rights, but provision by the State of the conditions that are essential to the welfare of the people. While the functions of the State must increase in area and in number if our social ideals are to be promoted, every increase should be jealously watched. Excess of social control upon the individual is as pernicious as excessive liberty. *

New Zealand. June, 1919.

*Sir J. G. Findlay, LL.D., lecture before the Palmerston North Philosophical Society, 1910.

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